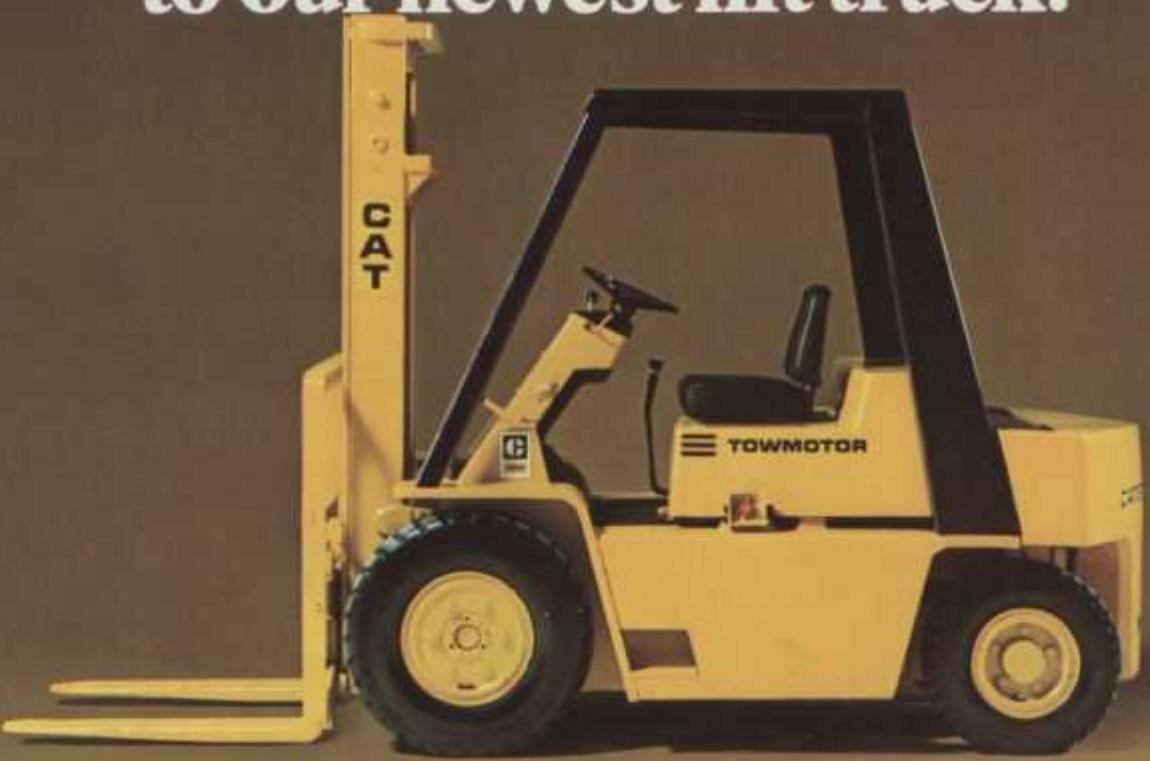


Nation's Business



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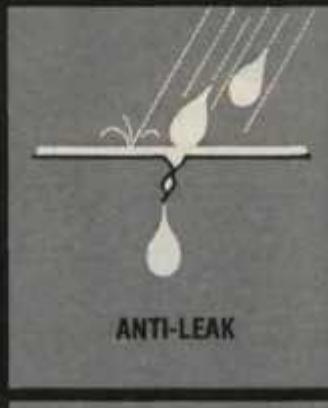
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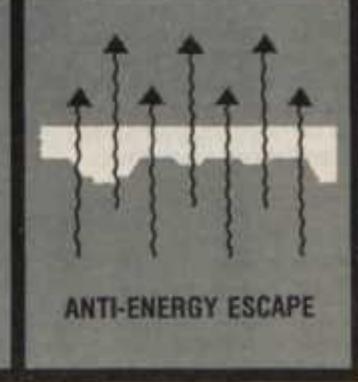
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Dodge has the lowest priced optional automatic transmission in the field. Add in the fact that an automatic transmission helps reduce wear and repair on the drive train, and the bottom line is savings.

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The hood opens almost straight up to provide easy access to major engine parts. That gives you faster servicing, which means lower labor costs, less downtime and more work time.

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If you own as few as ten vehicles (cars, vans, or trucks), you can qualify for an allowance direct from Chrysler Motors Corporation. And the savings are bigger now than ever before. It will be well worth your time to find out about this program. For complete information on how you can qualify for our Fleet Purchase Program, see your Dodge Dealer.



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The vans from Dodge. Built to lower the cost of doing the job.



Nation's Business

VOLUME 63 • NUMBER 8 • AUGUST 1975

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What Free Enterprise Can Do

The energy crunch is helping the cause of those who want a government takeover of private electric power companies. The clamor is increasing.

But something else is happening, too. So far, most demands for government takeover have been unsuccessful. And the basic reason is that private enterprise is doing a good job.

For an up-to-date picture of this situation, turn to our cover story this month, which starts on page 18. *Nation's Business* has just completed a hard look at the key questions involved in this issue.

• • •

Something new will happen in an area near Boston, starting in just two months.

Disposal of solid waste will no longer be a headache. Private enterprise has found a way to put solid waste to good use—hence the title of our article: "A Free Enterprise Solution to a Tough Public Problem."

There are no government funds involved in the plant (see photo) at which the job is being done.

The article starts on page 24.

• • •

One of the ways President Ford keeps track of what's going on in the business world is through an operation run by Bill Baroody.

William J. Baroody, Jr., is an assistant to the President, and his job is director of the White House Office of Public Liaison.

It is an office created by President Ford to help him listen to various segments of the American public.

If you have any ideas you'd like to communicate to the White House, Bill Baroody's office offers you a chance. An article about Mr. Baroody and his job begins on page 28.

• • •

The National Labor Relations Board is headed by a distinguished attorney, who has been on the job since early this year.

Betty Southard Murphy faces the largest backlog in NLRB history.

How she is tackling her job and what she is like are the subjects of an article that begins on page 36.

Mrs. Murphy does not wish to be called chairwoman or chairperson. She wants to be known as madam



Steam produced at this refuse-to-energy plant will be piped to a factory across a Massachusetts river.

chairman. Hence the headline: "What NLRB Madam Chairman Has in Mind for the Future."

You'll find this article useful in understanding the new situation at NLRB.

• • •

Nation's Business has long published features known as Lessons of Leadership. The purpose is to show how particular business leaders became successful.

David Foster is a successful businessman. As head of Colgate-Palmolive since 1970, he has changed the company's life-style.

Whatever the size or kind of business you manage, you can benefit from David Foster's experience.

The article—"The Marriage of Marketing and Technology to Improve Company Performance"—starts on page 42.

• • •

There is much more in this issue that we hope you will find valuable.

If you are not taking proper care of yourself, one article in particular could prove of great value to you. An interview with three doctors who specialize in handling health problems of business people starts on page 66. We have called the article, "Feel Better, Live Longer, and Work Like a Horse."

—KENNETH W. MEDLEY

WHY JOHN MARRS USES A PITNEY BOWES POSTAGE METER TO MAIL A DOZEN LETTERS A DAY.

Even though Jaydee's Cycle Shop in Marietta, Georgia, is one of the biggest BMW dealerships in the South, BMW is just one of the top names you'll find among the forty or so bikes exhibited.

When the owner, ex-Air Force flight engineer John Marrs, isn't taking care of Jaydee's customers, he's taking care of Jaydee's outgoing mail.

Registrations. Correspondence with distributors and manufacturers. Seasonal promotional pieces. Christmas cards. It's all essential and it has to get out.

But it seems that as small as his office was, John still found plenty of room to lose or misplace his stamps.

So just about three years ago, John decided Jaydee's could use our desk model postage meter.

Since then he has had the conveniences of no more missing stamps, fewer trips to the post office, and printing postage on tape for parcels. A necessity for Jaydee's, since John mails parts to customers and manufacturers regularly.

John also likes the way the meter stamp can speed his mail through the post office faster, since it's already been postmarked, dated, and cancelled.

Whatever superlatives John uses for his postage meter, he uses for his Pitney Bowes copier, too. "I'm proud of that machine," and "I honestly don't know how I did without it," are understandable remarks considering he no longer has to run out to the local copying center and pay 25¢ apiece for every piece of correspondence, every contract, every performance test he needs copied.

Jaydee's has more than doubled in size since John started out four and a half years ago. We like to think our two machines are part of the reason.

Write us about what Pitney Bowes can do for your business. Pitney Bowes, 1343 Pacific Street, Stamford, Conn., 06904, or call one of our 190 offices throughout the U.S. and Canada.



Pitney Bowes

Because business travels
at the speed of paper.



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Supplier
to the 1980
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How to Sell in a Buyer's Market

Stihl American, Inc., Oakland, N.J., wasn't hurt by the business slump.

In 1974, the firm's sales were 40 percent higher than in 1973. In the first quarter of 1975, sales were 30 percent above the same period last year.

Stihl American is the U.S. sales representative for the German-made Stihl chain saw.

Chairman Gordon T. Williams, Jr., says the secret of the firm's success is: Confidence.

"Recession is nothing but a national state of mind," he told the Sales Executive Club in New York.

"People become afraid of the future and squirrel their money away

for the rainy day which they feel is sure to come... and at interest rates which, under present circumstances, don't equal the rate of inflation."

Here's how to increase sales, he says:

1. Raise your sales estimates.
2. Restore your salesmen's confidence in themselves, their products, and their company.

He also advises:

- Pointing out to customers that, because of inflation, inventories will never be replaced at a better price.
- Quoting business analysts who take a more positive attitude about the slowdown.

- Reminding salesmen that people have money in the bank and that a buyer's market offers them a good chance to boost their market share by taking business from hand-wringing competitors.

"You must also work up a positive program to help salesmen move merchandise," Mr. Williams says. "If you can't come up with a better one of your own, borrow ours."

Here is what Stihl did:

- Boosted its advertising and promotion budget 50 percent over 1974.
- Changed the theme of its advertising, Mr. Williams says, "to let the public know the world had not come to an end as far as we were concerned."
- Offered the public free antirecession buttons to be picked up at local Stihl dealers.

The red, white, and blue buttons read: "I REFUSE TO PARTICIPATE IN THE RECESSION!"

More than half a million of these buttons have been given to "people who came into our dealers' stores, wanting at least to do their share to overcome the recession," Mr. Williams says.

"Coming as they did, in a positive state of mind, many were willing to make a purchase."

More Americans Take Short Vacation Trips

Bought a nice steak lately?
Or a snappy new suit?

Well, like most consumer items, they cost more.

So does travel, but not nearly as much as many other things.

That is the good news from the U.S. Travel Data Center, Washington, D.C., which compiles a travel price index. In the past 12 months, while the consumer price index has climbed 9.5 percent, the travel price



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For nearly 40 years, we've been installing and servicing business communications systems through our nationwide network of local offices. (We're even the country's largest supplier of hospital communications systems where reliability can be a matter of life and death.)

We've brought that record of reliability to the new Executone key telephone. And we'd like to show you how owning your own telephone interconnect system can improve business communications—and save you money—without sacrificing dependability. After all, what good's a new phone system if you can't reach the company that sold it?

Please send free portfolio, "How To Get More From Your Telephone Interconnect System."
 Have your representative phone.

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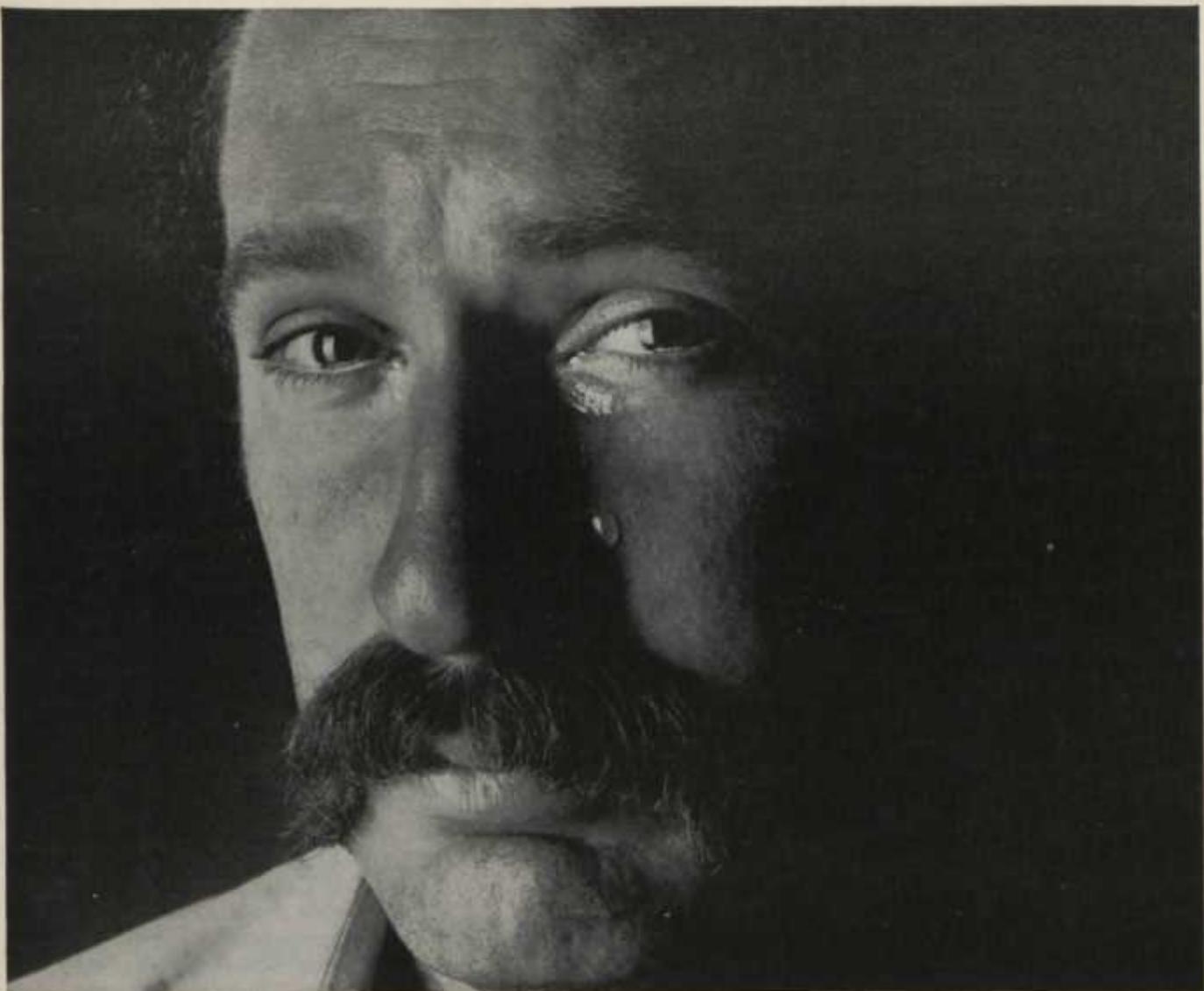
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Executone

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"It's hard writing ads for an insurance company that won't let me brag even a little."

My ads get shot down a lot because I like to hyperbolize and boast now and then.

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First, The St. Paul is not the capital of Minnesota.

We're a property and liability insurance company from Saint Paul with assets of \$1,169,321,000 as of Dec. 31, 1974.

We offer a complete multi-line capability.

We can innovate and bend. So your company gets insurance shaped to its own peculiar needs.

Service? One of 45 service centers throughout the U.S. and Canada will contact you the same day it receives your claim. In most cases.

In addition, we've enlisted over 8,600 of the best professional independent agents we could find.

We're learning to speak your language. 282 of our folks, probably more than any other company, have received the IIA's Associate of Risk Management diploma.

A. M. Best Company, the prestigious insurance industry analysts, sums it up best.

The St. Paul is "one of the most successful risk underwriters in the country." Their words, not mine.

Compare what we can do for you with what you've got.

Call an independent agent for The St. Paul today. He's in the Yellow Pages.

And may modesty prevail.

**THE ST. PAUL
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★ ★ ★ ★

The United States Department of the Interior (Bureau of Land Management) holds non-competitive public drawings each month to afford all citizens over the age of 21 years an equal opportunity to own oil and gas lease rights on lands owned by the Federal Government.

A \$20.00 tax deductible filing fee could return you a sum exceeding \$75,000.00 immediately, plus a production payment exceeding one million dollars for possible future income.

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Executive Trends *continued*

index has increased only 6.1 percent.

The index is for domestic travel only, including Alaska and Hawaii.

Taking April, 1967, as 100, the index in July last year was at 151.8. By January, 1975, it had climbed slowly to 154.5. As of May, the travel index was up to 157.6 percent of the April, 1967, level.

Price may explain one new trend: More Americans are taking vacations close to home.

Discover America Travel Organizations, Inc., encourages this.

What Teenagers Do When They Quit School

Each year, about 850,000 teenagers quit high school without a diploma. Another 750,000 finish, but lack a salable skill or a background for college.

Where do they go from there?

Maybe the answer is a career education.

"Until recently," says expert Muriel Lederer, "our society has believed a four-year college was the only path to a successful career."

Not so, she adds.

"We must all have training for our technological society," she says, "but we don't necessarily need strict academic education."

"What you do need is career education leading to job opportunities."

Her book, "The Guide to Career Education" (\$10.95, Quadrangle/The New York Times Book Co.), cites more than 200 fields that don't require a sheepskin. The 400-page, hard-cover volume tells:

What each field is like.

The opportunities it holds.

What training you need.

Where to write for additional information.

The National Association of Trade and Technical Schools has a useful directory of institutions it accredits. It lists 425 by what they teach—from acting to X-ray technician—and by geographical location. The directory is free.

All told, there are some 10,000 private vocational schools in the United States.

The Federal Trade Commission's Consumer Bulletin No. 13 (40 cents) tells how to select one.

Before you enroll, investigate, FTC warns.

What Board Members Are Being Paid Now

Them as has gits.

So says Korn/Ferry International, New York-based executive recruiter.

Outside board members, it finds, are dragging down more money than they used to.

Most (63 percent) get an annual fee—plus a chunk for attending meetings. Average annual bundle: \$7,900.

Those on an annual retainer average only \$6,600 for their moonlighting.

Still, all have kept up with inflation.

On the average, says Korn/Ferry, "compensation for directors was increased 37 percent . . . in the past 12 months."

That, of course, is before taxes.

And before civil suits—mushrooming—that try to nail board members for failings, real or fancied, of firms they advise.

More and more women are being cut in. Today, they're on the boards of nearly one out of every eight big businesses. Only a year ago, the ratio was closer to one out of ten.

Blacks, Chicanos—or other federally labeled minorities—are on one board out of ten. Last year, one out of 12.

The average board has 13 members. Eight are outside directors.

How do you get on?

Well, Korn/Ferry says, knowing someone doesn't hurt. Here's what it found after polling 750 major U.S. firms (half replied).

How outside directors are located:

	Percent
Chairman knows and recommends	79.4
Other board members know and recommend	72.6
Other corporate officer knows and recommends	48.2
Selection committee	20.8
Executive refers	19.5
Executive search	3.3
Bank refers	3.3
Attorney refers	1.3
All other	6.1

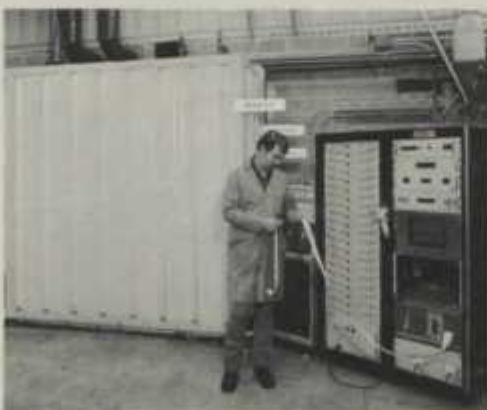
Apparently, there's a shortage of qualified applicants. About one out of four boards say they have vacancies.

Risk outweigh rewards?

Butler buildings can give you more dollar and energy savings than others



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this Butler exclusive.**



Butler Guarded Hot Box testing device.

The heating and cooling of any building takes energy. But energy is in short supply today. And energy costs have soared.

So it pays to buy the best insulated building available for your building dollar.

And your Butler Builder® can give you the best. Because our exclusive Guarded Hot Box testing device provides the most accurate measurement of building insulation efficiency that exists today.

Our Guarded Hot Box was designed by a leading independent research institute, and all our insulation efficiency data is certified by qualified universities or by other independent testing laboratories.

Others base their insulation recommendations on insulation manufacturers' tests of small, single piece samples of insulation material. We make recommendations based on Guarded Hot Box tests of insulation materials conducted under actual installed conditions.

The difference between the theoretical figures of others and our actual-condition figures can be as great as 66%. A difference that can cost you thousands of extra dollars in equipment or operating costs.

Guarded Hot Box measurements are one more Butler exclusive available through authorized Butler Builders. And they have a complete line of Butler roof and wall systems that offer many new, superior, Hot Box-inspired insulation efficiencies.

To learn about all the exclusive features available with only the building systems we make, contact your local Butler Builder. He can build you a true Butler building. So look under "Buildings, Metal" in your Yellow Pages. Or write Butler Mfg. Co., BMA Tower, Dept. B-115, Kansas City, Mo. 64141.

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A new kind of Cadillac.

Here is a new expression of Cadillac excellence. Seville... designed for American tastes but at home anywhere in the world. About 25 inches shorter than full-sized U.S. luxury cars, it has about the same overall height for interior roominess and comfort. A new driving experience awaits you, when you visit your Cadillac dealer.

Seville
BY CADILLAC

The New National Nightmare

The tip point is among the most familiar phenomena of our everyday life. A child discovers the tip point of a tricycle and a teeter-totter. A boatman perceives the turning of a tide. A baseball umpire will take so much sass from a player and then no more. At a certain point, matter will boil, freeze, crystallize, or jell. The tip point is the moment at which conditions change not in degree, but in kind, or in direction.

Two hundred years after our free society began, we are close to such a tip point now. We are within a drop or two of the critical moment at which freedom crystallizes into regimentation, when the people no longer are masters of government, but government is master of the people.

The dangers are widely perceived, but they are separately and not collectively perceived. It is the occluded vision of the man who cannot see the forest for the trees. Doctors see one part of the picture, educators another, businessmen yet another. We dwell in small rooms, in little shut-off cells, and sometimes we labor to breathe. "It is stifling in here," we complain. And we are not always aware that air is being sucked from the next room also. Yet the atmospheric changes are so slow, so gradual, so apparently insignificant, that we seldom complain at all. We do not understand what is missing: It is the very air of freedom.

Thomas A. Murphy, chairman of General Motors, recently spoke to the National Association of Accountants. As a businessman, he spoke from his own small room:

"Our economic system, founded with our nation 200 years ago, has come more and more under government control. Very conspicuously in the marketplace, the government, by mandate and edict, is substituting its

sovereignty for that of the individual consumer. Government, rather than the buying public, is increasingly determining the kinds of products and services offered for sale, and government regulations are influencing their costs and consequently their prices. What is of greatest concern is that each intrusion of government, because it takes decision-making power away from the individual consumer, diminishes his economic freedom."

Dr. Murray L. Weidenbaum, director of the Center for the Study of American Business, notes a "second managerial revolution." The first such revolution saw the rise of professional managers, as distinct from owners. "This new revolution is far more subtle. It involves the shift of decision-making from managers, who represent the shareholders, to a cadre of government officials, government inspectors, government regulators." [See "Where Overregulation Can Lead," *Nation's Business*, June, 1975.]

The last word is the key word: regulators. If we were to give a name to the ominous new age that lies ahead, the age beyond the tip point, we might well term it the Age of the Regulators. A part of the ominous aspect of the approaching era is that many Americans see nothing ominous in regulation. It is a friendly word. We are favorably inclined toward a regular fellow. We shy from the irregular. The dictionary lumps regular with "normal, typical, natural," as in "a regular pulse." A regulated life is popularly thought to be a good life.

This very complaisance contributes to the creeping oppression. "The people never give up their liberties," said Edmund Burke, "but under some delusion." Here the delusion is that,

if a little regulation is good, more regulation is better. On the sound premise that freedom cannot exist without order, a fallacious conclusion is erected: the more order, the more freedom. It does not work that way.

The enveloping process begins with a perceived ill. Thalidomide. Smog. Racial discrimination. The fly-by-night private school. The fire ant. The rickety ladder. The dangerous toy. In our struggle toward a more perfect society, it is altogether natural and desirable that ills be remedied. A boy drowns at summer camp; a little girl dies when her nightgown catches fire. Such tragedies pluck at the heart; and compassionate government responds.

But the vice of regulation is that it follows an inexorable process: first a little, then a lot. Within the Congress—and the state legislatures are not materially different—there develops what John Randolph called the legislative itch. On the body politic a rash is seen; it must be scratched. Statutes tumble upon statutes, head over heels, pell-mell, laws upon laws, and these laws must be administered. They must be interpreted, construed, amplified, extended, and enforced. Enter the regulator. He is a decent man, more often than not, eager to do good. But his passion is to regulate. It becomes a consuming passion.

Out of the perceived ill of thalidomide came the straitjacketing procedures that now govern new drug applications; and these procedures have stifled the drug industry. Out of the perceived ill of smog came the staggering array of environmental controls—controls that have accomplished some good and have added billions of dollars to the cost of consumer goods.

The perceived ill of discrimination

The New National Nightmare

continued

has produced the new egalitarianism. Its purpose is to redress old wrongs with new wrongs. Thus, Boston writhes in the unhappiness of racial-balance busing. At Washington University in St. Louis, the chancellor is given four days to sign a 30-page statement of conciliation or be denied a \$1.8 million contract. Athletic directors are commanded to rewrite their budgets. The Supreme Court holds that "great deference" must be accorded the "guidelines" of the Equal Employment Opportunities Commission. Whole states embark upon the neuterization of their codes, solemnly amending chairman to read chairperson.

Increasingly, the process pervades the field of health care. At Kettering Medical Center, near Dayton, the regulators descend. The hospital is new, sparkling, modern, safe, efficient; it has met or surpassed every state and local building requirement; it has been professionally accredited. But the regulators are not pleased: The windows are wrong, the airflow system is wrong, the kitchen doors are wrong. And these deficiencies must be corrected at once, never mind the cost, or else—I Or else Kettering will not be reimbursed for Medicare and Medicaid patients.

Kettering is not alone. Scores of hospitals face the same threat.

One of the busiest agencies in Washington is the Consumer Product Safety Commission. Its mimeographs run night and day. Here the regulators, in an altogether typical week, are concerned with book matches, lawn mowers, television receivers, playground equipment, bicycle brakes, and baseball bat grips. The regulators are concerned with carpets, cigarette lighters, and a prototype child-resistant closure for use by the elderly. They will regulate these things.

Committees of the House of Representatives are at war over FIFRA. This is the Federal Insecticide, Fungicide, and Rodenticide Act, administered by the Environmental Protec-

tion Agency. In their zeal to regulate, the FIFRA regulators set up a toll-free telephone network to generate complaints of pesticide misuse. To some members of the House, this is an "indefensible informant system." To others, it is a justified step in pesticide regulation.

Our regulators, state or federal, have this in common: They mean to be obeyed. The smallest offender cannot be ignored, lest larger offenders be encouraged. Thus, in Ohio, the regulators of education have cracked down upon the Tabernacle Christian School in Greenville and brought criminal prosecution against 15 disobedient parents. It is of no consequence that the children in this fundamentalist school are achieving at levels higher than comparable students in public schools. The school does not comply with regulations. Whip it into line!

More than a hundred years ago, Alexis de Tocqueville visited the young American republic. He returned to France and between 1835 and 1839 delivered himself of that great work, "Democracy in America." Toward the end of volume II, he reflected upon "what sort of despotism democratic nations have to fear." It would be a different kind of despotism, he thought, from the despotism of old. "It would be more extensive and more mild; it would degrade men without tormenting them." Looking far ahead, he foresaw a nation populated by an innumerable multitude, all absorbed in their own affairs, preoccupied with "the petty and paltry pleasures with which they glut their lives."

This was De Tocqueville's terrible vision:

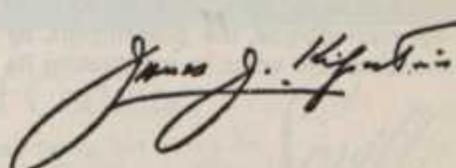
"Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications and to watch over their fate. That power is absolute, minute, regular, provident, and mild. . . . For their happiness such a government willingly labors, but it chooses to be the sole agent and the

only arbiter of that happiness; it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances. What remains, but to spare them all the care of thinking and all the trouble of living?

"Thus it every day renders the exercise of the free agency of man less useful and less frequent; it circumscribes the will within a narrower range and gradually robs a man of all the uses of himself. The principle of equality has prepared men for these things; it has predisposed men to endure them and often to look on them as benefits.

"After having thus successively taken each member of the community in its powerful grasp and fashioned him at will, the supreme power then extends its arm over the whole community. It covers the surface of society with a network of small, complicated rules, minute and uniform, through which the most original minds and the most energetic characters cannot penetrate, to rise above the crowd. The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting. Such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, till each nation is reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd."

A magazine recently counted 63,444 federal regulators. It put the cost to consumers of federal regulation alone at \$130 billion a year. The regulatory network spreads and grows; the tip point approaches; and De Tocqueville's nightmare consumes the American dream.



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More Picket Power for Construction Workers?

Should a single union's pickets be allowed to try to shut down an entire construction project over a disagreement with any one of the many contractors who might be working at the project site?

Yes, says the AFL-CIO. No, say many businessmen.

Striking workers at a manufacturing plant may legally urge fellow workers who aren't members of their union to refuse to cross their picket lines. But striking construction workers may not. If they do, a 1951 decision of the Supreme Court makes them liable to a charge of conducting a secondary boycott—hitting at one employer through others who are not directly involved.

This difference in union rights is proper, builders and contractors ar-

gue, because, at a factory, all unions deal with a single employer. At a construction site, there almost always are a number of employers.

Businessmen point out that any union has the right to picket an employer of its members and that this right extends even to sites where employees of other firms are working—as long as uninvolved parties are not enmeshed in the dispute.

Appeals to other unions' members not to cross picket lines at a construction project can harm subcontractors with whom there is no union quarrel, businessmen say.

The AFL-CIO argues that all employers at a construction site are "joint venturers" and that none can be considered neutral in a union dispute with any of the others. Em-

ployers counter that unions conveniently drop the joint venture theory when it comes to wages. Unions negotiate separately with each general contractor, supplier, and subcontractor.

Legislation has been introduced in Congress that would legalize secondary-boycott picketing—known as common situs picketing—in construction.

Opponents say the legislation would make it possible, for example, for a single union to halt all work on the vital 798-mile Alaskan pipeline. And some say the legislation's passage could lead to wider legalization of secondary boycotts.

Should secondary-boycott picketing at construction sites be legalized? What do you think?

PLEASE USE FORM BELOW FOR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20062

Legalize secondary-boycott picketing at construction sites? Yes No

Comments:.....

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Yes to Lie Detector Tests for Private Employees

Businessmen have the right to protect their businesses by using lie detectors to screen employees. That's the overwhelming sentiment among respondents to June's "Sound Off to the Editor" question.

By a margin of more than four to one, *Nation's Business* readers answer no to: "Outlaw lie detector screening by private enterprise?"

Many readers tell how the use of the polygraph has benefited them.

For example, H. Dillon Winship, Jr., president, Georgia Highway Express, Inc., Atlanta, says: "As a common carrier of freight in a business that is very susceptible to theft, we find it is much better to use a polygraph to screen applicants prior to employment than it is to have to discharge them for theft later."

Dean R. Williams, vice president, ZCMI department stores, Salt Lake City, also vouches for the use of the tests. "We have recovered more than \$60,000 this past year from poly-

graph use that he thinks are needed. Richard J. Lang, president, R.J. Lang Sales, Inc., Cleveland, says: "Advise the individual the test is a requirement for all employees when he initially applies for employment. The results of the test should be available for examination and rebuttal by the applicant. Also, the results should not be made available to any other employer. Test material for all persons not employed by the company should be destroyed."

Presenting another argument, D. D.



A good personnel director, a private interview, and a check on references do the job without polygraph tests, says Clinton Bartley, administrator, Callaway Memorial Hospital, Fulton, Mo.

Salveter, president, Bank of Crocker, Crocker, Mo., points out: "Since employers may be liable for many acts of their employees, they are entitled to all the information they can gather. I see no reason why anyone should object to taking the lie detector test if he has nothing to hide."

William K. Smith, vice president and auditor, Manufacturers National Bank, Detroit, says: "One by one, the tools for finding honest, conscientious employees are being chipped away. Yet, managers are responsible not only for the safekeeping of stockholders' assets, but also their proper utilization in a viable business. Management has an additional responsibility of protecting existing employees, and possibly customers, from detrimental actions by new employees. Those responsibilities cannot be properly shouldered if all personnel selection tools are removed."

Maurice E. Smith, vice president and treasurer, Global Marine, Inc., Los Angeles, cautions: "There may be a need to assure some standards of competence in the use of and interpretation of data from polygraphs. But a right to privacy must give way when trust or credit is being sought."

Spelling out limitations on poly-

graph use that he thinks are needed. Richard J. Lang, president, R.J. Lang Sales, Inc., Cleveland, says: "Advise the individual the test is a requirement for all employees when he initially applies for employment. The results of the test should be available for examination and rebuttal by the applicant. Also, the results should not be made available to any other employer. Test material for all persons not employed by the company should be destroyed."

Those who would like to see the polygraph outlawed argue there are other means of checking on employees. The Rev. Howard W. Marsh, Harlandale United Methodist Church, San Antonio, says: "Personnel managers have many tools in their arsenal to weed out undesirables: the interview, the FBI computer bank, former employers, persons used as references, academic records, and school counselors—to name a few."

Eugene Price, Sy's Pharmacy, Phoenix, doubts the accuracy of the polygraph test. "Too many personal factors are involved in the interpretation of the results to render it scientific in its reliability," he says. "The emotions do affect the results, as do



Raymond P. Campbell, president, Atlantic Steel Fabricators, Inc., Ashland, Va., has experienced theft by employees. He says: "We have solved our problem by the use of the polygraph."

graph tests that elicited confessions after previous denials," he says. "At the same time, we confirmed the innocence of a dozen employees under suspicion."

Another testimonial comes from Henry L. Hebert, president, Top's Woodwork & Supply, Inc., Lafayette, La.: "The first year we gave the tests, we recouped \$21,000 from 33 tests."

William T. Webster, executive vice president, Depositors Trust Co., Augusta, Maine, reports that "we have been highly successful in the use of the polygraph in two areas: It has



Edward F. White, president, United Piping Co., Inc., Greensboro, N.C., says: "Only those with something undesirable to hide need be concerned" by polygraph screening.

guilt feelings having nothing to do with the questions asked."

Summing up an opinion held by a number of readers, Conrad R. Wojciechowski, president, Detroit Radiator Corp., Warren, Mich., says: "If the test is not outlawed, I suggest that it be a requirement for all public officials, elected or appointed."

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- Experience tells you that next year's prices probably will be higher for most things, including trucks. If you put off buying now, you're pretty sure to have to pay more later.
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Check the choice—and the prices—at your Ford Dealer's.



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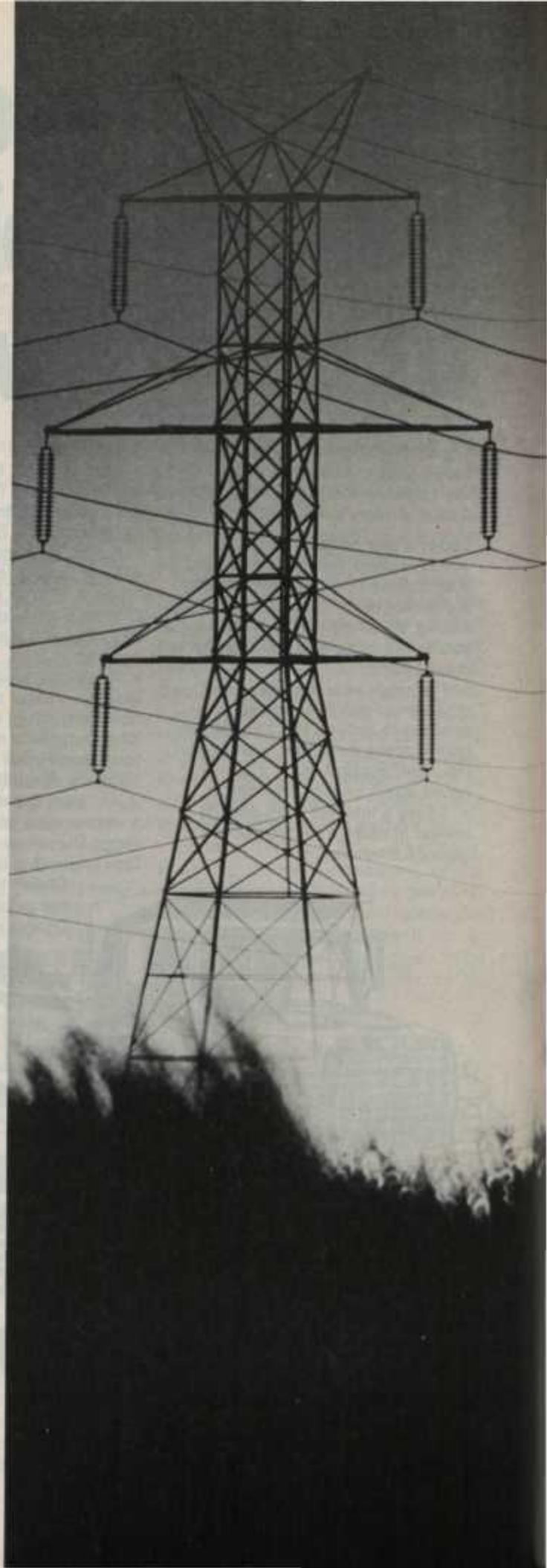
Here they are, America's favorite Medium/Heavies. Above: LN short conventional, a premium truck except in price. Top right: C-Series, the most popular tilt. Right: F-Series conventional, the best-selling Ford.

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Turning Back the Threat of Government Takeover



As the clamor rises for public ownership of electric utilities, private enterprise shows that its way is better

THE ENERGY CRUNCH has spawned a new challenge to the free enterprise system.

All around the country, there are campaigns for government ownership of electric utilities. The advocates of government ownership are trying to exploit consumer ire over electricity bills that have risen as fuel costs have increased.

In most cases, advocates of government takeover want the forced sale of investor-owned utilities to municipal or regional authorities. In some cases, the pressure is for state or regional governments to build and operate generating plants which would serve utilities whether they are privately or publicly owned.

The reasoning is the same in all cases: Proponents of government takeover argue that government-owned utilities can guarantee lower rates. Why? Because they pay little or no taxes, because they can float construction bonds at low interest rates since there is no income tax on municipal and state bonds, and because they do not have to generate profits for shareholders.

The real world

Private industry is fighting back with marked success.

Forcefully, private power companies have shown in one community after another that such claims cannot

stand up against economic realities. There have been far more successes than failures in turning back the threat of government takeover.

Nevertheless, the clamor for public ownership grows louder.

The Environmental Action Foundation's Utility Project is a Washington-based operation advocating government takeover on environmental as well as economic grounds. It is shepherding the efforts of local groups battling utility companies.

Richard Morgan, coordinator for the project, says: "We're working with environmental and conservation groups around the country that are challenging the policies of electric companies, and more than 100 of these groups are interested in public ownership."

Mr. Morgan adds a claim that public ownership "would mean lower rates in almost every case."

Other segments of the business community have backed the private power industry in opposition to such movements as Mr. Morgan's. The basic issue concerns not only the nation's 284 privately owned electric utilities and their four million stockholders, but every businessman, large or small.

Pressures for government takeover of the local power company today might well lead to demands tomorrow for takeover of other enterprises.

The reasons advanced might not be the same as in the utility's case, but the results of the takeover would be the same: A continued weakening of America's free enterprise system.

An inviting target

Our investor-owned electric utility industry is an inviting target to the government ownership advocates.

The 284 private systems represent only 8.2 percent of the nation's electric systems, but they serve 77.2 percent of all electricity customers, provide 77.8 percent of all electricity sold, and have 78.8 percent of installed generating capacity.

Would government takeover bring the promised rewards of lower rates and insulation from economic pressures that drive them up?

W. Donham Crawford, president of the Edison Electric Institute, a national organization of investor-owned utilities, says:

"Soaring fuel costs and other inflationary impacts on fuel bills do not respect geography or type of ownership. Government-supplied power is not the answer."

The facts of utility economic life have been made clear by executives of private power systems in areas where government ownership has been proposed. These businessmen have marshaled facts and figures, along with construction, financial,

Turning Back the Threat of Government Takeover *continued*



PHOTO: GENE FINE

Customer anger over increases in electricity rates has produced a wave of protests like this one in Raleigh, N.C. The normally smiling symbol of the power industry, Reddy Kilowatt, was renamed and strung up by demonstrators outside a building where the state utilities commission was holding a hearing on proposed rate hikes.

rate, environmental, legal, and engineering specialists, to respond to the claims of public power advocates.

Scoreboard

The outcome of some of their recent efforts:

- Voters in Portland, Oregon, turned down three to one a proposal to take over part of the Pacific Power and Light Co. facilities.

- Voters in Lane County, Oregon, rejected two to one a proposal to take over Pacific Power and Light facilities serving their county.

- The vote was much closer in Berkeley, Calif.—22,000 to 20,000. But the outcome was the same: against public ownership of Pacific Gas and Electric facilities.

- The Massachusetts legislature

turned down a recommendation to set up a state power authority. Backers of the drive are now conducting a campaign to obtain enough voter signatures to bypass the legislature and put the proposal directly to the public.

- Legislatures in Wisconsin, Maine, Wyoming, Montana, and North Dakota have turned down various bills aimed at government ownership of electric utility systems.

- Erie County and adjacent Niagara County in western New York conducted separate feasibility studies on taking over private power systems within their respective borders. Neither county proceeded beyond the study stage after the companies now serving the counties laid out the enormous costs involved.

- The Board of Supervisors of Fairfax County, Va., a suburb of the national capital, has shelved a plan to take over Virginia Electric and Power Co. facilities in the county.

Public power advocates, however, have won some recent battles.

- Voters in Massena, N.Y., approved a \$4.5 million bond issue to finance public ownership of the Niagara Mohawk Power Corp. facilities in the town. The company estimates the cost at \$8.3 million and predicts that electricity customers will wind up paying higher rates, not the lower rates promised by the public power movement. Prolonged litigation is anticipated.

- In Springfield, Vt., voters endorsed a plan to separate their electric system from Central Vermont Public Service Corp. and run it under government ownership. Company officials say a community plan to generate hydro power on the Blade River, rather than use power generated by the company, will not work because the river does not have a strong enough flow. Also, they say what the community thinks it can pay for company distribution facilities is far below the real value.

Many precedents

As evidenced by the fact that America has so many publicly operated electric power systems, campaigning for government ownership of utilities long antedates the present energy crunch, although the crunch has given such drives new impetus.

From 1960 through 1971, for example, 30 communities went into the public power business.

However, in the same period, three times as many communities went the other way—from public to private. They found the supposed benefits of public power were a mirage. In some cases, the power systems ran into financial difficulties, or operating difficulties, or both, as a result of political meddling. In other cases, they found they simply could not match the efficiency of private companies which were larger and could offer many economies by virtue of size.

The municipally operated electric system in Norwalk, Ohio, for example, kept rates below that of the private market for years but cus-

Customer anger built up as service deteriorated. There were frequent interruptions in service during times of peak demand in the summer.

A citizens' committee appointed by the mayor found that it would take \$2 million to return the facilities to efficient operation and that the system had built up no reserves to finance modernization or expansion.

The committee also determined that "Norwalk will be unable to expand industrially or commercially until it can guarantee an uninterrupted power supply to new businesses."

Members of the committee recommended that the facilities be offered to the Ohio Edison Co. On Nov. 1, 1972, the creaky old Norwalk municipal power company went out of business and the new owner, Ohio Edison, launched an extensive modernization program.

The power industry's record of successful opposition to most of the recent government ownership drives has been based in large part in demonstrating that claims of great savings through public operation cannot be substantiated.

These are some of those claims and how those defending investor ownership respond:

Claim: Government-owned utilities can offer lower rates because they finance acquisition or construction with tax-exempt bonds carrying low interest rates.

Answer: There's no question that the interest on tax-exempt bonds is running around seven percent and that private companies are paying more than ten. Along with wages, fuel, and other operating expenses, the cost of money is part of the rate base—the total package of expenditures regulatory commissions consider in setting rates that a private company can charge.

However, the interest that appears in the rate base is not just the current level. It is the average capital cost of all outstanding obligations.

Edward Frye, an Edison Electric Institute specialist on rates and financing, says that "the oldest outstanding bonds of a typical investor-owned company carry an interest rate of around three percent, and the



Advocates of government takeover often fail to recognize the actual value of facilities such as this complex control station at a generating plant, and thus misstate what it would cost to buy them. As for operating expenses, soaring fuel costs "do not respect . . . type of ownership," says a utility industry leader.

Turning Back the Threat of Government Takeover *continued*

newest more than ten percent, with issues in between showing gradually rising rates.

"Nationally, the weighted average interest rate is around 6½ percent.

"Customers of investor-owned companies are today receiving the benefit of what might be called original-cost investment made ten, 15, or 20 years ago when interest rates were considerably lower."

A switch to government ownership would involve bond issues at current rates, even for municipals, to finance acquisition costs.

Claim: Government-owned utilities can be operated more economically because they pay little or no taxes.

Answer: Mr. Crawford says, "Government-operated power systems do not reduce the cost of providing electric service. Part of that cost is shifted from the users of electricity to the taxpayers."

If America's publicly owned utilities had been taxed on the same basis as those privately owned, they would have paid \$12 billion to the federal, state, and local governments from 1958 through 1972. Those governments just turned to the taxpayers for that money.

This effect of public ownership was spotlighted when the mayor of

McKeesport, Pa., proposed nationalization of all utilities. He included the one serving his area, Pittsburgh-based Duquesne Light Co.

"If Duquesne Light were nationalized," responded company Chairman John Arthur, "it would pay essentially no taxes. Last year, our company paid \$13.7 million in federal income tax and \$28 million in state and local taxes." McKeesport was among the tax collectors.

One outcome of nationalizing Duquesne would be to force the city to raise property and other taxes, Mr. Arthur told the mayor.

Investor-owned utilities had a collective tax bill of \$4.5 billion in 1973, with \$2.8 billion of that going to state and local governments. To the extent those utilities were taken over by government, those taxes would have to be made up some other way. Local property owners would be particularly hard hit.

Claim: Government-owned utilities save the citizen money because such operations do not have to worry about making profits for stockholders.

Answer: A Federal Power Commission report shows that in 1972, the most recent year for which figures are available, 553 state and local power systems collected nearly half

a billion dollars beyond what they needed for operating and capital expenses.

The money was held as retained income, following standard business procedures, or turned over to the treasuries of the political jurisdictions operating the utilities. In the latter case, customers paid as electricity charges what they would otherwise have been paying as taxes.

In addition, a government-owned utility must structure its rates to assure sufficient income to meet its expenses, including interest on bonds, just as a private company must seek revenues that will allow it to meet its needs, including the payment of dividends to shareholders.

"There's really no difference between paying interest on municipal bonds and paying dividends," says Mr. Frye, "except that the dividends are taxed twice, first as corporate income and then as personal income."

Despite those rebuttals to their principal claims, public power advocates tend to depict government-owned utilities as sheltered from economic storms.

Twelve rate hikes for TVA

They haven't looked in lately on the Tennessee Valley Authority, the country's largest power supplier, which is wholly owned by the U.S. government.

Rep. Joe Evins (D-Tenn.) told the House of Representatives in a recent floor speech: "In the TVA area, power rates have increased more than 120 percent in the past eight years, with rates being increased 12 times."

Obviously, the TVA experience offers little solace for those advocating government takeover as a route to lower rates.

Rather than push for public power, says Edison Electric Institute's Mr. Crawford, people should oppose such governmental actions as unreasonable environmental demands and delays on construction permits.

That, he says, is where citizens "have an opportunity to assure that electric rates are held down to the greatest possible extent." END

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Reprints are available of the following articles in this issue:

"The New National Nightmare"
by James J. Kilpatrick page 11

"Turning Back the Threat of Government Takeover" page 18

"Lessons of Leadership: The Marriage of Marketing and Technology to Improve Company Performance" page 42

"Why Government Neglects the Stockholder"
by William S. Mitchell page 51

"How to Be a Better Listener"
by Sherman K. Okun page 59

"Feel Better, Live Longer, and Work Like a Horse" page 66

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A Bicentennial Salute to American Business

**GREAT MEN &
GREAT MOMENTS OF
AMERICAN BUSINESS**

(Trumpet Fanfare)

**THE
A.D. GIANNINI
STORY**

San Francisco, April 18, 1906.



A. P. Giannini reaches his little bank as flames spread throughout the city.



He has no vault, so he takes the bank's \$80,000 bank home.



Thousands are homeless. Property damage totals \$400 million. The big banks call a month-long holiday.



But, Giannini, with a couple of planks and a bag of money, reopens. He gives out loans, often on a man's character alone. People respond. In 6 weeks, deposits exceed withdrawals.



A. P. Giannini's spirit, and a commitment to humanize his business helped build the Bank of America into the largest bank in the United States.



This has been a presentation of the Chamber of Commerce of the United States



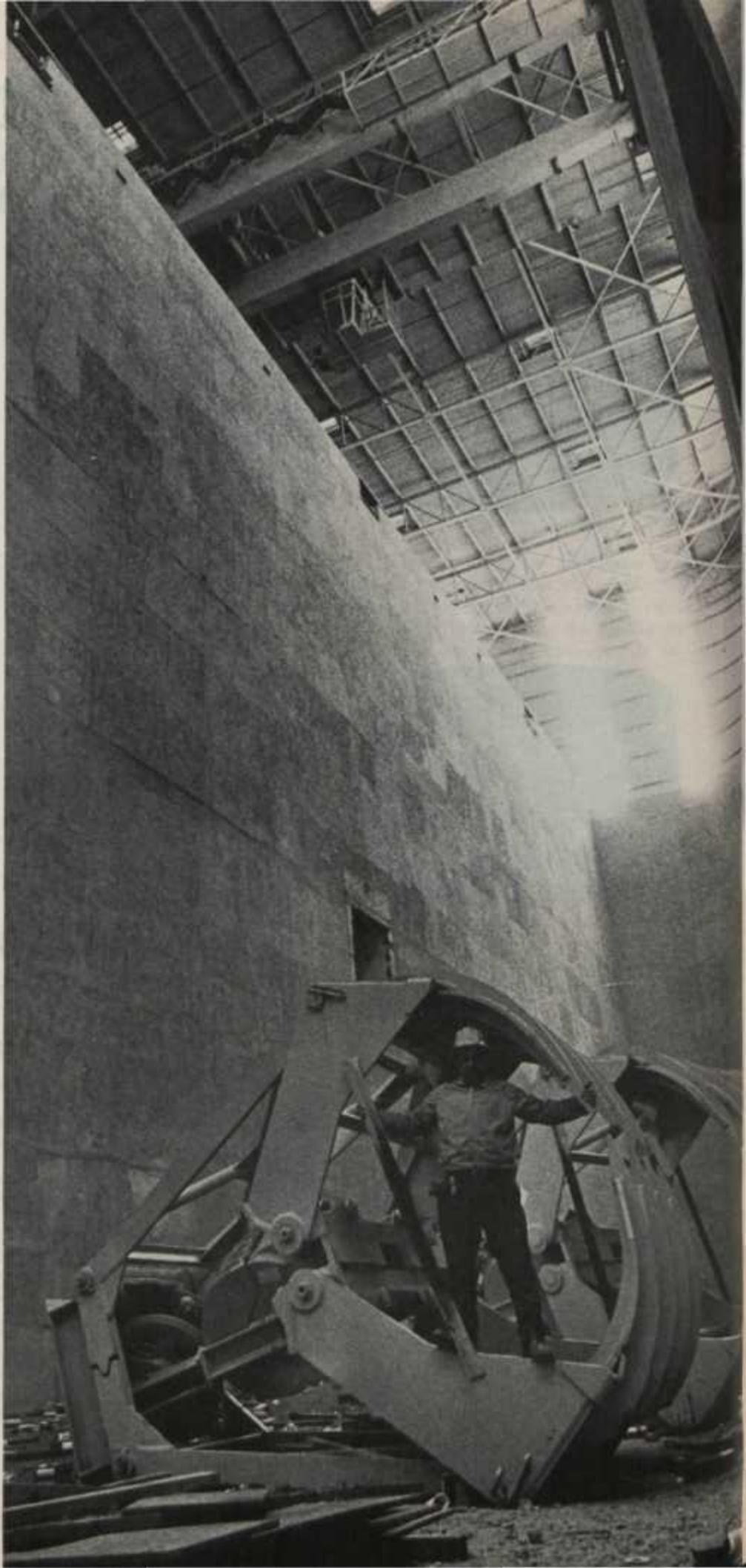
This is one of a series of educational public service messages being shown on television across the nation.

They are based on articles which appeared in Nation's Business.

The first stop for refuse collected for conversion to energy at a new plant in Saugus, Mass., will be this giant storage pit. Trucks will back to the top of the wall at upper left and dump their loads. The pit is 86 feet deep, 200 feet long, and 39 feet wide, with a capacity of 6,700 tons. Two massive claws (shown here ready for installation) will move the refuse to a fragmentizer which will break up anything over a foot long, return the trash to the pit, mix it, and then feed it to a furnace.

A Free Enterprise Solution to a Tough Public Problem

This company sees its work as bearing good news for the nation on two fronts—the energy crunch and the problem of disposing of mountains of refuse





Energy, in the form of heat, will be extracted from burning refuse spread out on three moving grates in the conversion plant's furnace. The grates (shown being installed) are at different levels. Trash, spread evenly by the grates' motion, will tumble from one level to another in a process aimed at assuring full combustion without use of other fuels. The furnace will consume rubbish at the rate of 1,200 tons a day to make steam for a nearby General Electric Co. plant.

PHOTOS: WILHELM SHAMOS

ONCE A WEEK, Evan Davie, of Malden, Mass., a welder, puts his household refuse out for collectors who cart it off to a dump where it is buried.

But starting Oct. 1, his refuse will become part of an energy chain that will help provide power to run Mr. Davie's electric welding equipment and supply 60 percent of the other power needs of the vast General Electric Co. plant in Lynn, Mass., where he works.

Focal point for that conversion to energy of food scraps, rags, plastic containers, paper, etc., is a \$35 million plant on the Saugus River just north of Boston.

The plant will produce steam to generate electricity, burning nothing but rubbish—the first such operation in America.

While a number of power plants now burn refuse for energy, they mix it with the fossil fuel they were originally designed for. [See "Wat-

age From Waste," NATION'S BUSINESS, June, 1974.]

And the Saugus project is unique in another way: It is a taxpaying, private enterprise from start to finish. There is government involvement to varying degrees in the others.

The Saugus project is a joint venture of Wheelabrator-Frye, Inc., a global company with a varied product line that is heavy on pollution controls, and the M. DeMatteo Construction Co., a major New England contractor. Wheelabrator-Frye is in charge of the overall design, engineering, and construction. DeMatteo provided the land and half the capital and is doing the actual building.

Cheaper power, less mess

Michael D. Dingman, Wheelabrator-Frye's tall, softspoken president and chief executive officer, has been the driving force behind the project.

When it is in operation, the plant will burn all the refuse of more than

a dozen surrounding communities. Steam produced by the heat will be carried in insulated pipes across the Saugus River to the GE factory, where 13,000 workers make giant turbines.

The factory generates its own electricity, and the steam will enable it to cut drastically the amount of oil it buys to fuel its boilers.

Mr. Dingman points out the energy-environmental compatibility of the refuse-burning project: "It will solve the garbage disposal problems of a half-million people; provide clean energy, with more than 99 percent of the smoke and dust removed from the stack gases; and save 14 million gallons of fuel oil a year."

GE initially will pay somewhat less for the steam than it has been spending to make its own. The contract price is a variable one, linked to the price of oil.

Mr. Dingman sees what his company calls garbage power as a major

A Free Enterprise Solution to a Tough Public Problem *continued*

element in resolving the nation's energy problems.

"It's beyond the wildest belief how many of these plants there are going to be," he says. "Many, many more are going to be built in America."

Wheelabrator-Frye recently announced plans to build a refuse-burning plant that will supply electricity to the Jersey Central Power and Light Co., which serves the northwestern and central coastal areas of New Jersey.

Waste and a want

The Saugus plant evolved from a combination of factors that developed independently, then merged.

As early as 1968, engineers in the GE factory had looked out across the river at an unsightly landfill and speculated that the enormous

amounts of rubbish carted in daily could be a plentiful source of energy.

But oil was cheap, and there was little incentive to invest in the research, development, and construction needed to convert refuse to energy. That situation had changed completely by 1973, when boilers at the General Electric plant were scheduled for replacement.

GE officials contacted the owner of the dump, Martin DeMatteo, who had been exploring ways to put the property to a more beneficial use. Out of their meetings came a decision that Mr. DeMatteo would find an engineering firm that would design a plant to convert refuse to energy. The partnership of Wheelabrator-Frye and the construction company that Mr. DeMatteo heads evolved from that search.

The dump will be closed when the garbage power plant goes into operation. The plant will operate this way:

Collection trucks from communities in the region will approach through a weighing station—with the communities to be billed on a per-ton basis for the disposal service—and dump their loads into a storage pit.

Overhead cranes will lift refuse from the pit in large scoops and deposit it at the end of a series of step-like, moving grates that will spread it evenly for burning.

No other fuels

The system is designed to achieve full combustion of all burnable refuse without the aid of other fuels—"Garbage burning garbage," Mr. Dingman says. Asked what they will use to get

These boiler tubes were welded together to become a key part of the garbage power plant's furnace. When operations begin next month, heat from burning refuse will convert water in the tubes to steam.



the firing going on the first day of operation, company officials like to quip: "A match."

Forced air under the moving grates will dry the rubbish and provide a draft. Combustion temperatures will range from 1,000 to 1,800 degrees.

Metal and other nonburning solids will be reclaimed for later sale.

Heated air and gases from the burning rubbish will be channeled under two boilers, turning water to steam that will go into the pipeline to GE. Each boiler has a maximum capacity of 750 tons of steam per day. Provision has been made for adding two more boilers if demand warrants.

Before they leave the plant's smokestack, gases from the burning process will go through electrostatic precipitators, which will give airborne particles an electrical charge and then extract them in a magnetic action before they can get into the atmosphere.

ashes left by the burning process will represent about a tenth of the original volume of the refuse and can be sold for fill in construction projects.

An uninterrupted flow

The storage pit for refuse will have a capacity of 6,700 tons, although the plant will burn only 1,200 tons a day. As a result, the plant could operate for 5½ days if collections are held up by weather or other factors—or if, as one of the plant designers puts it, "We get nothing but watermelon rinds for a while."

But to guarantee an uninterrupted flow of steam in the unlikely event the storage pit is emptied, the plant will have two standby oil-fired boilers.

While America has been moving somewhat cautiously into the refuse-to-energy field under pressure of soaring costs and potential shortages of fossil fuels, other countries have moved ahead aggressively for many years. This is particularly true in Europe, where land shortages have worked against committing large areas to dumps and where fuel traditionally has been more costly than in this country.

Wheelabrator-Frye is associated with Von Roll, Ltd., of Switzerland,

which has built furnaces for 60 refuse-burning systems now operating in Europe, Canada, and Japan and is building 30 more.

Emphasis on enterprise

Mr. Dingman puts heavy emphasis on the private-enterprise aspect of the garbage power project.

Pointing out that the communities that shared use of the dump had been unable to agree for years on how to solve their waste-disposal problems, he notes that "industry got together and solved them."

And the market system enforces a discipline that government frequently does not, he says. "There can't be any question that the plant is going to work when we turn it on," he explains. "It's got to work and we have to see to it at every step of the construction process that it's going to. We have contracts to fulfill."

Mr. Dingman came to Wheelabrator-Frye from the investment banking field, which he had found wasn't really his niche.

"I like to build and operate things long-range," he says. "The financial community emphasizes short-term gain."

While with the investment banking firm of Drexel, Burnham & Co. in New York, Mr. Dingman met Robert W. Halliday, of Boise, Idaho, an investor and business consultant. They discussed Mr. Dingman's desire to move into work that would give him an opportunity to "build and operate."

Together, they invested in Wheelabrator-Frye, with Mr. Halliday becoming chairman and Mr. Dingman president and chief executive officer.

Since they took over in 1970, net revenues have jumped from \$108 million to \$351 million. Net income has gone from a loss of \$11 million to an after-tax profit of \$12.7 million. END

A Company Goes Back to Nature

Wheelabrator-Frye, Inc., officials decided a few years ago to move their world headquarters from mid-Manhattan. "We didn't want to be in a major metropolitan area," recalls President Michael Dingman.

But where to go?

"Every place that anybody mentioned was checked out," says Mr. Dingman. "We really focused on the question."

The choice for the new headquarters was Hampton, a 336-year-old, picturesque community of 5,400 in the southeastern corner of New Hampshire that touches the Atlantic Ocean.

There, construction has been completed on a Colonial-style, low-rise office building that is set in the middle of 200 acres of woodland.

Mr. Dingman's explanation of the choice has to delight the region's industrial development officials:

"We're only 45 minutes from the international airport at Boston and we can get there as easily or easier than we got to the New York City airports from midtown. The environment here is attractive to the type of young people that we want in our company and to their families. It doesn't take an hour and a half to get to work, and you can be pretty confident you're going to get home at night."

While key staff people transferred from the New York area to New Hampshire, the company plans to hire as many local people as possible. "We want to integrate ourselves, our families, and our company into this community," Mr. Dingman says.

The Dingmans have built a Colonial-style home near the new office building. His leisure activities include working on his collection of five antique cars and sailing.

A Way to Tell Your Business Story to President Ford

If you have a problem or an opinion you would like brought to President Ford's attention, William J. Baroody, Jr., will help you get the President's ear.

He will do so for businessmen, farmers, or union workers, for young people, or senior citizens.

In other words, for just about anybody in the 90 percent of the American population affiliated with an organization—from the League of Women Voters to the Association of American Railroads.

Bill Baroody heads up the White House Office of Public Liaison. On the table of organization, he is listed as assistant to the President.

The name, Office of Public Liaison, only hints at the meaning behind Mr. Baroody's operation. The office puts the so-called private sector of our society on the same footing as the press and members of Congress as far as the White House is concerned. Created by President Ford, the Public Liaison Office has equal status with the White House Press Office and the Office of Congressional Liaison.



You'd like to inform the President about some problems—or methods of dealing with national ills? And you don't think you can get a hearing? Bill Baroody's job is to see that you do

In one sense, the Baroody operation is a way to fulfill the President's announced goal of "communication, conciliation, cooperation, and compromise." It is designed to give Mr. Ford a feel for problems bothering various segments of the American society.

In another sense it affords the administration an opportunity to defend its positions—some critics say Mr. Baroody's office is a political device to get voter approval.

How Ford tunes in

"I think it helps the President communicate his basic program, and the rationale behind that program, to a wide range of the American people," Mr. Baroody says.

Where does President Ford fit in all this and how does he tune in to the Office of Public Liaison?

Since last fall, when the operation was launched, getting the President's ear has involved frequent meetings at the White House and around the country, with Mr. Ford himself taking part in a number of them.

The White House meetings are

smaller than the others and might include 25 or 30 businessmen, for example, or a like number of public housing officials. The meetings outside Washington, which have more of a grass roots flavor, often attract several hundred participants.

After every meeting, Mr. Baroody and his staff put together a tight but comprehensive summary of what has been said. The summary is for the President's personal attention.

"Yes, he reads them, he digests them," Mr. Baroody says. "Sometimes, he makes recommendations as a direct result of a particular meeting."

Do businessmen and business organizations get anything out of this? The fact that they participate vigorously in these meetings, as well as the tone of letters they write to the White House later, indicates they feel the sessions are useful.

At most of the gatherings, one or more Cabinet members, as well as other high government officials, are on hand and take part in lively give-and-take discussion with audiences.

Sometimes, distinct changes in

government policy emerge from these well-orchestrated get-togethers. A notable example occurred when a group of builders, realtors, mortgage bankers, and savings and loan executives came together to give the President their collective view on how to rouse the inert housing industry.

The point was made several times at that meeting that an administration-backed bill raising maximum federal insurance on savings and loan accounts from \$20,000 to \$25,000 was not adequate in today's market. Within 48 hours, the administration changed its position and came out for a bill increasing the figure to \$35,000. Housing industry officials, however, kept up the pressure, and the administration agreed to a \$40,000 insurance ceiling. That ceiling became law.

"This was unusual, since these meetings are not designed to bring about immediate policy change," says Mr. Baroody. "But it is a good illustration of how the process can be beneficial when you superimpose it on ongoing government functions. And, in this case, it had a beneficial side effect for the housing industry."

All sides

At some sessions, the input to the President is total, as far as giving all sides of a particular issue is concerned. One such meeting focused on development of the nation's coal resources.

The National Coal Association, a trade voice of major coal companies, was represented. Officials of dozens of individual coal companies were there, too. Many utilities, heavy users of coal, sent participants. So did railroads and barge lines which haul coal. Also present were others involved with coal, including the United Mine Workers.

After a daylong meeting that be-

Telling Your Story to the President *continued*

gan with a welcome by Vice President Nelson Rockefeller and was presided over by several top government officials in the energy field, there was a working dinner in the East Room of the White House. The dinner meeting was chaired by President Ford.

Mr. Baroody assesses the impact of such a session: "By the sheer dynamics of putting in the same room a cross section of an industry, along with the government officials who work with that industry, you come up with a different perspective or certainly a more sharply perceived appreciation for the problems of that industry."

The need for capital

If these meetings are an accurate barometer, the business community's paramount concern is the availability of capital in the decade ahead to produce the goods and services that will be required. More particularly, businessmen ask, will there be enough capital formation just to meet skyrocketing energy costs?

Administration spokesmen say the White House has been pushing hard to help business find new capital, giving the matter top priority in the tax-laws review now being conducted by the House Ways and Means Committee.

"While the money question dominates the thinking of our business audiences, a close second is the rather universal apprehension over federal regulatory practices," Mr. Baroody says. "Criticism of government regulation is general."

In this area, of course, administration spokesmen call attention to President Ford's pointed request to Congress to set up a special commission to review all federal regulations and see where they adversely affect the economy. [See "The Need to Reform Obsolete and Unnecessary Regulations," comments by President Ford, in *NATION'S BUSINESS*, June, 1975.]

At 38, an old hand

Bill Baroody, 38, isn't one of those bright, young executives plucked from the ranks of business, academe, or the professions to add luster to the White House staff. He comes in-



William J. Baroody, Jr.: "In the final analysis, I think this national dialogue will bring on better understanding and a sounder operation of all our institutions."

stead with an impressive list of credentials in politics and government, not the least of which is that he trained at the knee of one of the shrewdest political professionals of these times, former Secretary of Defense Melvin R. Laird of Wisconsin.

Fresh out of the Navy in 1961, Mr. Baroody joined the staff of then-Congressman Laird as legislative assistant and press secretary. In 1968 and 1969, he was research director of the House Republican Conference, a job which was to give him a close working relationship with the House Republican leader, Rep. Gerald R. Ford of Michigan.

When Melvin Laird moved to the Pentagon in 1969, Bill Baroody moved with him. When Mr. Laird resigned as Defense Secretary and became domestic adviser to President

Nixon, Mr. Baroody again moved with him. So Bill Baroody was already on the White House staff when Gerald Ford was tapped for the presidency. The appointment as presidential assistant soon followed.

The name is familiar

The Baroody name is well-known in Washington. William J. Baroody, Sr., is the longtime president of the respected American Enterprise Institute for Public Policy Research. One son, Mike, is executive assistant to Sen. Robert J. Dole (R-Kans.), and another, Joseph, is a partner in Wagner and Baroody, Inc., a Washington public affairs firm.

The family is prolific. The elder Mr. Baroody has seven children who have given him 33 grandchildren. The White House Baroody has nine

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children. Brother Joseph has seven and Mike has four.

White House watchers, skeptical of empire-building, are keeping an eye on the Baroody operation, wondering how much of it is political and how much for real. They note that Mr. Nixon also had a go-between with the private sector—Charles Colson, who went to jail as part of the Watergate scandals. Mr. Colson, it is asserted, turned his operation into a wholly political boiler room.

"Good politics"

Mr. Baroody has an answer for those who suggest there are political overtones to what he is doing. He says: "In the largest sense, all these meetings are political—in the sense that good government is good politics. This mechanism helps to make government more responsive and our programs more understood."

With a staff of only 30, including secretarial help, Mr. Baroody maintains firm control over the planning and execution of his various forums in and out of Washington. He helps pick participants, decides on agendas, and often presides over the meetings. And, of course, he writes the reports that go to the President.

It has not been difficult to get people to attend these public discussions. An invitation which says, "The White House would like you to attend . . ." is usually accepted. In the beginning, the Office of Public Liaison sought out organizations to participate. Now, organizations ask to be placed on the list.

At least one meeting a week is being held at the White House, and more than two dozen are scheduled around the country this year.

Your views, too?

Because so many Americans belong to some kind of organization—be it a trade or professional association, a chamber of commerce, the Boy Scouts, or the Urban League—it seems likely, given the diversity and large number of such groups attending these sessions, that the opinions of most of the private sector ultimately will be heard at them.

More often than not, the organizations wanting to be represented at the meetings have a hand in setting

up the agenda of subjects to be covered. In fact, they are invited in advance to suggest subjects. The suggestions are circulated among cabinet and other officials who will take part.

"The whole idea is to keep these meetings flexible," Mr. Baroody says. "We don't want to be rigid. If a particular industry thinks it can get more out of a session in which the private sector is confined to representatives of that industry, we'll go along. If they feel putting several industries together is more fruitful, we'll do that, too."

"One of the beneficial aspects of combining different constituency groups is that we get a productive cross-fertilization of ideas."

Bill Baroody emphasizes at practically every meeting Mr. Ford's determination not only to open the White House to the people but to bring the White House to the people. For example, in Hollywood, Fla., he told an audience:

"The President is dead serious about establishing good two-way communications. He wants a dialogue that will show him what representatives of the private sector are thinking and what their problems are. More important, the President wants a dialogue structured to produce new solutions and approaches to public policy problems."

Criticism and praise

To an Atlanta group, he spoke of the President's "deep belief that there is need for the government at all levels to increase communication and responsiveness with the people."

There has been criticism of these people-to-government forums in which individuals sometimes are not given all the time they might wish for speaking out.

In Atlanta, a woman economist complained: "As a public-relations thing, this is great, but as a knowledge thing it's pretty sad. I already know the government's point of view. I thought they wanted to hear my point of view."

But a sampling of mail reaching Mr. Baroody's office shows general approval.

A state official who attended a meeting wrote:

"The commonsense approach of

cutting back on government as well as individual spending to curb inflation is just what our people want to hear. . . . I did hear a lot of favorable comments during the conference and have the feeling that a big majority of the public will stay with you on any reasonable approach to cutting inflation."

"The exchange of ideas and concerns and the candid manner in which all contributed made this a most worthwhile meeting," a food industry executive commented.

The general manager of a lens manufacturing company wrote:

"I hope that this approach will not only be continued by you and your people, but also will be expanded to encompass other critical items of concern that probably at the present time are viewed with a lower priority due to the extreme critical nature of energy, recession, and inflation."

"It is nice to know that the administrative branch of government is interested in keeping business apprised of its programs and forecasts," a small manufacturer wrote.

Erosion of confidence

Has the program been successful? Mr. Baroody feels it has. He says:

"I think the most productive thing that has come out of it so far is the process itself. I am also pleased that it helps us define a potential for better long-range formulation of national policy and ways of implementing that policy."

"But, above all, I see a contribution that is helping restore confidence both in government and in the other institutions of our society. I'm thinking of the erosion of confidence in labor, in the churches, in business, in Congress, and right across the board."

"Now we have a process where you have the top-level advisers to the President, and the President himself, taking part in a dialogue. Not just a dialogue with national leaders which all Presidents have had. But reaching down to the grass roots, to chambers of commerce, to minority groups, to consumer organizations, and so on down the line."

"In the final analysis, I think this national dialogue will bring on better understanding and a sounder operation of all our institutions." END

Overkill in Government Regulation

Your interview with Dr. Murray L. Weidenbaum on "Where Overregulation Can Lead" [June] was exceptionally lucid.

The deep recession was made to order in Washington. Monetary actions taken by a handful of bureaucrats to regulate the economy up and down were both ill-conceived and grossly ill-timed.

Will we ever again let the power and intelligence of the marketplace rule what should be produced, when, and in what quantities?

The progress of 200 years, based almost entirely on the competitive marketplace, has not been so bad that it needs replacement by the sorry record of government bureaucracy's planning, with its attendant horrendous loss of our individual freedoms and escalation of costs of everything.

D. V. MCCONNOHIE
President
Custom Industrial Parks, Inc.
Tampa, Fla.

Dr. Weidenbaum states that many companies learn to feel comfortable in a government-regulated environment. I feel it is more a case of accepting an inevitable fate.

Members of the pet industry have been trying for two years, with little success, to resolve a problem arising from proposed regulations on the importation of wildlife.

Congress authorized the Interior Department to bar the entry of wildlife that could cause injuries. The department's proposed regulations state that all wildlife is injurious but that Interior will decide which species are sufficiently low-risk to be permitted entry. Much of the department's evidence is erroneous.

This regulation is a clear case of overkill and will not truly serve the interests of the public or the industry.

HAROLD C. LOEKLE
President
Mitsbruck Farm, Inc.
Upper Saddle River, N.J.

America's pluses

Your two pages of responses to

your appeal to talk about "what's right with America" [Chamber of Commerce of the United States display, pages 68 and 69, June] is first-rate. We agree it's time Americans spoke out on this subject.

On behalf of the continuing Honor America program, we thank you for including us and our program's logo.

J. WILLARD MARRIOTT
Chairman
Honor America program
American Historic and Cultural
Society, Inc.
Washington, D.C.

In a response that was included in the display, Ms. R. Morene Archer of Cleburne, Texas, acknowledged American women as "the greatest source of untapped energy the world has ever known."

Yet, the very same issue [page 41] shows scenes from the National Chamber's bicentennial television series which is blatantly titled "Great Men & Great Moments of American Business."

Perhaps this overriding assumption that only men make this country great is one of the reasons why the energies of women are described as untapped and why they may remain so.

EILEEN MCCLENACHAN
Metuchen, N.J.

How free is free?

In the "A Look at the Brighter Side" item ["Executive Trends," May], you say that Ma Bell still gives free information and the airlines free meals. Don't you think the telephoning public and airline customers are paying for this? If not, who is?

MARVIN R. BLUM
Assistant to the President
Insurance Management Corp.
Richmond, Va.

Insulting stereotype?

"How Illegal Aliens Rob Jobs From Unemployed Americans" [May] was very interesting and, I am sure, quite factual.

However, I was disturbed by the drawing of three cleaning women who, I presume, were supposed to be

Polish women mentioned in the article as having been working illegally in a Chicago office building.

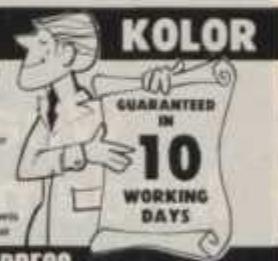
The three women were pictured wearing kerchiefs, long dresses, baggy sweaters, and boots, which appears to be an insulting stereotype.

I am employed in a Detroit office building where some cleaning women are of Polish or other Slavic origin. I have yet to see one of them wearing a kerchief or boots. In fact, some of these women who are recent arrivals from Poland (legally resident aliens) are more elegant than some of the clerical women in the building.

The illustration appeared to me to show an obvious bias on the part of the artist.

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What NLRB Madam Chairman Has in Mind for the Future



The National Labor Relations Board has the largest backlog in its history. Betty Southard Murphy, as agency head, will try some new techniques to improve efficiency. Here's a look at her and at what she plans to do

FOR THE FIRST TIME in its 40-year history, the National Labor Relations Board has as chairman a lawyer who has represented both management and labor.

Another first—the chairman is a woman, the only member of her sex who has served on the board.

Betty Southard Murphy also happens to be "the most qualified and respected" person who was available for the job, according to President Ford, who named her to the post last January.

Mrs. Murphy is no stranger to NLRB. Her first job after graduating from law school in 1958 was in the board's enforcement division. She spent 18 months there.

But the agency, which is the chief nonjudicial federal arbiter of labor disputes, has changed considerably in the years since.

In 1958, the board handled 17,000 cases. Last year, its case load was 46,000. This fiscal year, the total is expected to top 49,000.

A record backlog

NLRB's backlog now is the largest in its history.

What does Mrs. Murphy see as her biggest challenge?

To increase the board's efficiency.

"We are going to have to introduce new management techniques, without any sacrificing of due process or quality," she says.

Mrs. Murphy says that the other four board members are aware of this need, too, and she is highly laudatory of them and of the NLRB staff.

But the ultimate responsibility for making management changes work is hers, she says. "I will keep control," she adds. "We will set up benchmarks, and if we aren't hitting them, we will find out why."

NLRB has grown significantly over the years to meet the increased work load. In 1958, there were 1,148 employees. Now there are 2,400 in Washington and in the agency's 31 field offices.

Most NLRB cases—unfair labor practices charges or petitions for secret ballot elections—are handled at the field offices and only about five percent reach the board itself. Those that do are the knotty ones that can become landmark decisions and have a tremendous impact on society.

Spreading jurisdiction

A major reason for the huge increase in cases has been the fact that large numbers of additional types of workers have come under NLRB's jurisdiction—most notably, those employed by private, nonprofit universities and colleges; the U.S. Postal Service; and, last August, more than 1.5 million employees of private health care institutions.

The case backlog irks Mrs. Murphy, who says that as long as a case is pending, there is labor unrest. "Justice delayed is justice denied," she says.

She adds that much of the problem came about because of a congressional cut in the agency's travel funds last fiscal year. The vast majority of travel by the NLRB staff is nondiscretionary, i.e., involves the resolution of cases.

If and when Congress approves her current \$69.5 million budget, Chair-

man Murphy plans to add some 90 persons to the field staff to help speed the processing of cases.

She also hopes to increase efficiency through application of management-by-objective techniques. An initial goal is to reduce by 30 days the typical time lapse between the filing of a charge in a regional NLRB office and a board decision. The median time for that now is 334 days.

Still another goal is better scheduling and programming to even out the board's work flow. Despite all good intentions, the first two quarters of an NLRB work year have been slow. There has been a pickup in activity in the third, and a crash situation in the fourth.

Plagued by both houses

Mrs. Murphy faces continued dissatisfaction with the agency in both management and organized labor.

Management argues that the board has evaded the intent of Congress by adhering to the national labor relations policy of the 1930's, which was heavily weighted toward unions.

Labor unions charge that the system is weighted toward management.

The chairman doesn't agree with either argument.

"It depends on whether you've won or lost a case," she says. "Seriously, though, I believe the present board members are honorable people, true experts in this field, and decide the cases before them fairly. I also will be as fair and impartial as I know how to be. I have always practiced law this way. I have never entered into a settlement that I was ashamed of."

A tantalizing question about every new NLRB member is how that individual will vote. Mrs. Murphy was no exception when she joined the board six months ago.

There already were two Democratic appointees and two Republicans on the board, and the new chairman, a Republican, gave the board a G.O.P. majority. But that

didn't mean the board's votes would necessarily be along party lines. One of the board's Republicans was a liberal and one of its Democrats was a conservative.

As for Mrs. Murphy, she is a "Taft Republican," she says. "That means I vote my conscience. I'll call them as I see them."

In a recent series of key decisions on which unions would represent which types of hospital workers, the chairman voted with the majority five times. In four cases, with her were a Republican and a Democrat. Another Democrat joined the majority in the fifth case.

In another hospital case, Mrs. Murphy was in the minority, along with one Democratic appointee. In two other hospital cases, decisions were unanimous.

On both sides

Mrs. Murphy is an old hand at being evenhanded.

While an NLRB enforcement counsel, it was not unusual for her to represent labor one week, management the next, and in the third a worker who had a grievance against either a union or his employer.

In one instance, a federal judge had her argue both sides when opposing counsel failed to appear. She gave a spirited performance for each side. Her side won.

When she later expressed doubts about how the case would be viewed by an appeals court, since she had represented both sides, her supervisor quipped: "Look at it this way: You can't lose."

The case was never appealed.

As a partner in a Washington law firm from 1959 until 1974, Mrs. Murphy amassed wide experience in all phases of labor law, representing both unions and businesses before government administrative agencies and in federal and state courts.

Most other NLRB chairmen also have been lawyers, but she is the first whose labor relations experience has not been limited to either the



The National Labor Relations Board meets the Washington press photographer corps for the first time under Chairman Betty Southard Murphy, who once was a newswoman in the nation's capital. Left to right: NLRB members Ralph E. Kennedy, John H. Fanning, Mrs. Murphy, Howard Jenkins, Jr., and John A. Penello. Mrs. Murphy is the first woman to serve on the 40-year-old NLRB.

What NLRB Madam Chairman Has in Mind for the Future *continued*

management or the union side of the table.

Mrs. Murphy's income in private practice was twice her present annual salary of \$40,000.

She has argued cases, or otherwise appeared, in nine of the 11 federal courts of appeals plus a flock of lower courts.

And she has had plenty of experience at bargaining, having negotiated contracts for management and for international unions.

Happier endings

"I recommend most emphatically that more lawyers represent both union and management clients in order to understand their views and the reasons for their actions," she says. "Labor lawyers who properly understand both sides of the bargaining table can be a great force for labor peace."

She also has had extensive experience settling cases involving unfair labor practices.

"Where settlements were involved," she says, "I always tried to work out ones which were equitable to my clients and to the other side as well. A fair settlement is easier for both sides to live with after the lawyer moves on. I never had any complaints from the clients about this, either."

Mrs. Murphy, who decided she would be addressed in her current position as madam chairman, not as chairwoman or chairperson, is 46. But a person's age, she says pointedly, is not relevant.

Was Labor Department aide

This is an attitude carried over from the Labor Department, where in 1974 she was administrator of the wage and hour division. Among other things, the division monitors laws that guarantee equal pay for women and ban discrimination because of age.

Odds are that Mrs. Murphy will be venturesome as NLRB chairman.

That trait appeared at an early age. The great-granddaughter of a U.S. senator from New Jersey, Samuel L. Southard, she was born in East Orange, N.J. Her father died when she was very young and her widowed mother raised her and her two brothers.

"My mother encouraged us to be different, to venture," Mrs. Murphy says. "She made us think we were very special. She said that the greatest word in the English language was confidence, and that if you had confidence you could do anything."

Part of Mrs. Murphy's formative period was spent in Atlantic City,

N.J., and part in Columbus, Ohio.

She recalls that when she was 14 and living in Atlantic City, she saw a local newspaper's ad for a reporter and applied for the job.

The publisher himself interviewed the brash young applicant. He let her down gently—they were looking for someone with more experience and more permanent. But he did offer her a summer job as an office girl. It wasn't long before she was selling classified ads over the phone, and that fall she did become a reporter, writing a daily column on high school activities for the paper.

An itch to travel

When she enrolled at Ohio State in 1948, she was undecided about a specific major until she got an English-class assignment to write a composition on some subject she knew nothing about.

Hunting for ideas, she was going through the dictionary when she came to Buddha. She became fascinated with oriental philosophy and chose Oriental Studies as her major. Her courses included one conducted by a genuine guru, and Episcopalian Betty Southard Murphy says that course had a great influence on her attitudes. It also gave her a hobby—collecting statues of Buddha.

When she graduated in 1952, she

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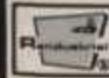
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What NLRB Madam Chairman Has in Mind for the Future *continued*

had nearly \$400 in savings and an itch to travel. She signed on as a dishwasher on a Norwegian ship leaving Baltimore for Amsterdam.

For her, as for hundreds of other young Americans of that era, Paris was a magnet. There she joined in the quest to recapture the Paris of Hemingway, living in a garret and subsisting often on bread, cheese, and inexpensive wine.

She got a scholarship from the French government and studied at the Sorbonne and the Alliance Française.

When that ended, she boldly applied for a stenographer's job with American engineers supervising construction of U.S. air bases in France. She couldn't take dictation and was a horrible typist, and these deficiencies became obvious with the first letter dictated to her.

"I memorized it," she recalls. "Then I couldn't get the paper to go in straight in the typewriter. . . . Come to think of it, I still can't get it in straight."

Homeward bound—slowly

After living in France for two years, she was visited by an uncle, Don Casto, a prominent builder and developer from Columbus. He said the family thought it was time she returned home.

But she still hadn't gotten to the Orient. He asked how much money she had. It was \$600. He bought a nonrefundable airline ticket that would allow her to visit the Far East on the way home. Under no circumstances would the family give her any spending money. When she was broke, she was to come straight back to Columbus.

"He thought I would last about three weeks," she recalls. "I showed up 13 months later."

To finance what proved to be a meandering trip, she reverted to journalism, writing free-lance travel articles for U.S. newspapers.

One day in Tokyo, something told her to go home. "When I get an instinctive feeling, I follow it," she says. So she hopped the next flight for the States. A few hours out of Hawaii, a growing pain became so intense she fainted.

The next thing she remembers is a



worried steward hovering over her and saying: "Oh, Miss, I wish you were having a baby!"

"What for?" she asked indignantly.

"Then I'd know what to do for you."

An emergency landing was made at Wake Island. The diagnosis was appendicitis. Packed in ice, she was flown on to Honolulu for surgery.

She developed peritonitis and the situation was serious for some weeks. Today, she laughs at the memory. "I knew I wasn't going to die. I hadn't done anything yet and I had a lot to do."

Persistence pays off

Back home, she turned down a job with Time-Life in New York as a researcher because she wanted to work in Washington. There, she zeroed in on the United Press International bureau and repeatedly applied for a job. Finally, the bureau chief "simply gave up" and hired her as a dictationist to take stories over the telephone. In time, she was made a reporter, doing special assignments.

Then she heard that sometime in the future the job of covering the Supreme Court for UPI would be vacant. She wanted that job and started preparing by taking night courses in law at American University. She became "hooked on law."

The Supreme Court job hadn't yet become vacant when she was assigned to cover another regular beat. The hours were such that she couldn't attend either day or night law classes.

Her faculty adviser told her: Either decide to become a reporter with a legal background or a lawyer with a reportorial background. If she chose the latter he was sure he could get her a scholarship.

Law it was. She finished the three years of study in two and a half and wound up with 14 job offers, both from government and from private firms. She chose the National Labor Relations Board.

Foreign friends

She found her work there so fascinating that she decided to specialize in labor law. And when she went into private practice, she was able to cater to another yen, traveling. She began spending a month each year in a different Latin American country. She has been active in legal associations in those countries and as a result knows many of their prominent lawyers and government leaders.

"I've been fortunate enough to keep in close touch with my foreign friends over the years, and the guest-book in our house reads like a travelogue," Mrs. Murphy says.

Home is in Annandale, a Virginia suburb of Washington. She is married to Dr. Cornelius F. Murphy, a Veterans Administration radiologist.

Like his wife, whom he met in 1957 when she was a law student and he was on the staff of George Washington University's hospital, Dr. Murphy made a career change. He turned to medicine at age 30, when he was a nuclear physicist.

"He encourages me constantly," Mrs. Murphy says. "Without his support and help, I couldn't have been the active law practitioner that I was, and I certainly wouldn't be in my present position if he were a different type of person."

The Murphys limit their social life and reserve evenings and weekends for their two children, aged six and seven.

As a Washington agency head, Mrs. Murphy has a limousine. But she doesn't have it pick her up at home.

Instead, she rides to work with her husband, like thousands of other working wives who stream into the city each day, and on the way "we solve the world's problems." END

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The Marriage of Marketing and Technology to Improve Company Performance

How David Foster runs Colgate-Palmolive

FOR MOST of the years since William Colgate opened his tiny shop in New York City in 1806 to sell soap and "mould and dipt candles of first quality," the company which bears his name centered its efforts on the kitchen sink, the laundry room, and the medicine cabinet.

But today, Colgate-Palmolive Co. sells razor blades, dog food, plastic trash bags, disposable diapers, tennis rackets, golf clubs, cosmetics, pipeline coatings, snack foods, and hockeystick, along with detergents and dentifrices.

This diversification is the handiwork of David Foster, who took over the presidency of Colgate-Palmolive in 1970 and set out to change the company's life-style. In his 1972 report to shareholders, he outlined the plan:

"We have embarked on a new course of action to more fully capitalize on our marketing strength and broaden the base of our business.

"One of the most exciting and productive aspects of our company's new

direction is the increasing emphasis on developing new market categories distinct from our traditional product lines . . ."

The blueprint moved off the drawing board quickly. Under Mr. Foster, Colgate-Palmolive has introduced 363 new products, acquired a number of firms as diverse as Helena Rubinstein (cosmetics) and The Kendall Co. (hospital and industrial products), and launched a series of joint ventures for marketing other companies' products.

In 1974, worldwide sales were more than \$2.6 billion, a 19 percent increase over the previous year, and consolidated net income was more than \$104 million, up 17 percent.

David Foster, now chairman as well as president of Colgate-Palmolive, believes he can take the company only so far with new products and acquisitions. But he thinks the sky is the limit for joint ventures. The concept is simple. He explains:

"If you are strong in marketing and distribution, you look around for



David Foster, a stickler for believability and good taste in advertising, conceived a Help Young America program which has raised \$365,000 for youth groups and sells Colgate-Palmolive products at the same time. Former baseball great Willie Mays serves as a consultant to the company, which uses sports promotion as a major merchandising tool.

somebody who is strong in technology and manufacturing, and you put them all together."

As a result of Mr. Foster's looking around, Colgate-Palmolive now has joint ventures with Wilkinson Sword Co., Weetabix Co., and United Biscuits, Ltd., of the United Kingdom, and Henkel Co., of West Germany—to name a few.

Like William Colgate, David Foster was born in England. But, unlike Mr. Colgate, Mr. Foster's parents were Americans. The elder Mr. Foster founded what became the Colgate-Palmolive Co. of Europe. The son was a Royal Navy bomber pilot during World War II, earning both the Distinguished Service Order and the Distinguished Service Cross with Bar. He joined his father's firm after the war to see if he would like that kind of business. He did and stayed.

One reason the business appealed to him was that it meant dealing with people on a continuing basis.

"I don't think I have ever been bored one day in this business because there is always something else to do, something better to do," David Foster says.

Mr. Foster, 55, is married to the former Anne Firth of London and they have two children. He and his wife travel extensively and he tries to get in a game of golf everytime he can. Golf and business. Those are his consuming interests.

Here, in an interview with a NATION'S BUSINESS editor at Colgate-Palmolive's Park Avenue headquarters in New York, Mr. Foster talks about a career spent entirely with one company.

Is it true you personally approve all advertising that goes out?

Yes. I want it to be in good taste and believable. I am a strong believer in having products live up to their advertising. You must let the consumer know that you really care



PHOTO: PALM SPRINGS LIFE

Mr. Foster and Dinah Shore have propelled women's professional golf into the front ranks of TV sports viewing. The four-year-old Winners Circle golf championship figures prominently in Colgate promotions.

about the choice that he or she makes. In other words, don't give lip service to your products and let it go at that.

Do you ever cancel advertising that doesn't meet your requirements on taste or believability?

Oh, yes. You may remember a campaign we had going for Ajax cleanser which said: "Gets you out of the kitchen fast." It showed a housewife flying out the door with a can of Ajax. Well, I had been probing our consumers on this advertising and discovered that this greatly irritated some of them.

First, the advertising was unbelievable. Second, the consumer did not want anybody to imply she was shirking her housework and just trying to get out of the kitchen.

Here we are, talking about cleaning the sink, which really was just a small part of her job. On that same day she was cleaning the oven, wash-



PHOTO: LEO CHOVIN—BLACK STAR



PHOTO: WAGNER INTERNATIONAL

Running a company the size of his doesn't allow Mr. Foster much time for golf, but he works in a round as often as he can, including when he's on world-girdling business trips.

Wimbledon tennis champion Billie Jean King, who swings a Bancroft racket, is an adviser to Bancroft Sporting Goods Co., a Colgate-Palmolive subsidiary.

ing the dishes, and getting dinner ready for her family. The ad irritated her all around.

What did you do?

We scrapped it.

You followed your father into this business, didn't you?

In a sense, yes. My father opened the Palmolive soap market in Europe while working as an agent with the old B.J. Johnson Soap Co. out of Milwaukee. He was taken by Europe when he went there in 1908 and won his gold medal as a swimmer in the Olympics.

His first client was Cedar Mop and like most agents he wanted to get more product lines. He took on Palmolive soap. In 1916, he decided there was more future in Palmolive soap than in Cedar Mop and became a full-time agent of the B.J. Johnson Soap Co., which in 1917 changed its name to The Palmolive Co.

How did the company become Colgate-Palmolive?

Palmolive merged with the Peet Co. of Kansas City in 1927. Peet was turning out mainly laundry soap for markets in the Middle West and the West. Palmolive-Peet merged with the Colgate Co. a year later, and the company name became Colgate-Palmolive-Peet.

Was it an even-Stephen merger—or did Palmolive-Peet take over Colgate, or vice versa?

Palmolive's was the surviving management at the time of the merger. After the 1929 stock market crash, however, the Colgates, who had the voting shares, held theirs, whereas Palmolive management ended up with less than ten percent. The Colgates regained management of their company when Bayard Colgate, aged 35, took over as president in 1933.

When was the Peet name dropped?

The Peet brands weren't going well overseas and the name was dropped in 1953. That's when we became the Colgate-Palmolive Co.

When did you enter the picture?

I was living in England, of course. I had dual nationality—British because I was born there and U.S. because my parents were American. I was attending Cambridge University when the war started and I joined the British navy.

When the war ended, and I had completed six years in the navy, my father said: "I know you have been offered a lot of jobs. If you come with us, I'll give you the best training you can get and then you can decide what you want to do."

I took a job in the office and did a variety of chores—balancing the ledger, making up the payroll, working in the traffic department. Then I went on the delivery trucks and after a while I was sent to the Manchester

Improving Company Performance *continued*

factory and worked in various areas. After four months, I was sent on the road as a salesman. And then I went into the company's advertising agency for six months.

But you came back to sales?

Oh, yes. First as an export salesman and then as export manager. At that time, our export sales were handled by the secretary of the company in England, but just on an order-taking basis. No one really was going out where our traditional customers were—the British colonies, Iraq, Egypt, Angola, Ceylon, Thailand, places like that—to see if our agents were doing the right job. In fact, to see if these agents were even still alive.

For three years, I traveled the Middle East, the Far East, and Africa. I was rebuilding the business. There wasn't much there after World War II.

As a result of my work in these markets, the American company decided to bring me over and make me U.S. export sales manager. That was at the end of 1949. My job was to open up new markets in the Caribbean, Central America, and those parts of South America where we didn't have our own subsidiaries—such as Peru, Ecuador, Bolivia, and Surinam.

How long did you remain in that capacity?

From 1949 to 1953, when I was called back to England as an assistant to the general manager. In 1956 I was appointed general manager of the U.K. subsidiary. In 1961, Europe was made a division of the company, with its base in London. I was named general manager, responsible not only for Europe but for Iran, Morocco, Tunisia, Algeria, and what were then the French territories.

When did you return to America?

In 1965, when I was brought back and made marketing director of the household products division. Then I moved up to general manager of the household products division, then to executive vice president and, in 1970, to the presidency.

Going back to what your father said

about getting experience. Did you decide you wanted to stay with the company at the very beginning?

No. I thought it would be very difficult working in an organization where your father is the boss. However, I was intrigued with Colgate because it meant dealing with people. It was a day-to-day business. You were pioneering in one area, consolidating in another, and trying to hold your share of business in still another. You were sophisticated in one area, completely unsophisticated in another.

You became a user of a product, a critic of a product, and a developer of new products.

I wanted something that had marketing appeal, where I would be dealing with real consumer needs. In other words, a job with all the problems of shelving, selling, pricing, and advertising to the ultimate consumer, the housewife.

So you like to deal with people?

On a continuing basis. I wouldn't have any interest, for example, in selling Encyclopedia Britannica. Once you have made a sale, you lose contact with the customer for five or six years. There is an excitement to a continuing relationship. I don't think I have ever been bored in my work, because there is always something else to do—something to do better, or something to do that has never been done before.

I have spent a lot of time with the consumer, knocking on doors, probing as to why housewives like this product or that product. What they like or dislike about advertising. Where we can improve products.

If you do this now, you do it from a distance, I suppose?

Not always from a distance, really. When I came to the household products division in 1965, I found our people had given up on this close contact with the consumer. True, they used to go out and check the salesmen and check the position of a product on the shelf. And there were some contacts with people outside supermarkets. But to me, that wasn't probing. That was really checking on the sales effort and not on consumer acceptance.

How did you learn about this loss of consumer contact?

George Lesch, who was then our president and later was our chairman, was a great advocate of keeping in touch with the consumer. He told me when I came back to the U.S. in 1965: "I don't want you to sit behind a desk. Get out and learn something about our products and the United States as it is today."

I went out for eight weeks, and I must have visited 20 cities, large and small. I spent most of the time knocking on doors and probing.

It was then I learned that our people weren't doing that anymore. It's tough to knock on a door and talk to a housewife and get the information you want. Some people are not at home with this kind of contact . . . you know, coming face-to-face with a snarling dog at the door, or a housewife still in her dressing gown and curlers. You are tempted to say: "I won't disturb you."

But you have to keep right on. If you get into the home rather than doing your interviewing on the front steps, you usually get a more relaxed and informative interview.

So what did you do?

We put all our young men who were in product management, as well as the senior people in our agencies, out with the consumer. This isn't the structured kind of questioning that is done in market research, where women sit down and go through a long questionnaire.

I wanted probing where you get a feel for what you're doing, where you probe one or two areas on which you know there are some problems—performance, believability, or whatever else it may be.

Today, Colgate-Palmolive does 50,000 probing interviews a year.

Where are these done?

In the homes. And they are very informal. Not group sessions where you sit down with a psychologist. I receive quarterly reports on these probes and I talk to the people who conduct them. I know how valuable these probes were to me, and I don't want them abandoned.

This is not merely to gauge whether

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Improving Company Performance *continued*

your firm's advertising is on target?

No. You might want to know if a concept for a new product has any merit or credence. Also, you obviously will check on how your competitors are doing in certain test towns. And many things you probe will give you just the right insight into how to improve an element of a product or its advertising.

Your company is deeply involved in sponsoring women's golf tournaments and women's track and skiing competitions. How did this come about?

It started with golf. A few years ago, the Federal Trade Commission came out with certain restrictions on product promotions in stores. You were allowed so many price-off promotions on each size, per quarter. We were at a disadvantage against brands like Tide or Ivory. Even keeping to these rules, they could out-promote us most of the year.

So we started looking around for line promotions where five or six products are featured in a single store display, and this is incorporated in print and television advertising. We wanted something that we could merchandise in the store. Our "Help Young America" was one, and we were looking for another promotion in the sports area.

Up until then, women's golf had not been promoted. So we said: "What about having a go at women's golf?"

We chose golf, really, because the buyers, the chain store vice presidents, and the rest all seemed to be keen on the game. Then the thought occurred to me: Why don't we try to use lady golfers as our spokes-women on advertising? You couldn't very well use an Arnold Palmer to sell Ajax.

However, we later used Arnold Palmer to promote our Winners Circle golf tournament.

Colgate-Palmolive is unusually active in joint marketing and research ventures. How did this come about?

My objective has been to broaden the base of the business. I saw that we were getting too dependent on sales and profits, for example, of our dental creams and detergents.

So you look at new products—but you must have the resources, the technology, and the manufacturing facilities. Or you can go the acquisition route, as we have to some degree—but the experience of a lot of companies shows that you come up with more bad acquisitions than good ones. This certainly was our experience in the 1950's, when we acquired Lakeside Laboratories—sold to Richardson-Merrell in 1974—Wildroot, and others.

Then the alternative is selling other companies' products?

Yes. We asked ourselves: "Why don't we use somebody else's technology and manufacturing ability and put our marketing and distribution to work?"

Wilkinson Sword is a classic example of a company with good technology which needed, in some areas, marketing strength. We are now marketing Wilkinson razor blades in nine countries. We have plans for other joint ventures in several countries—cookies, pet food, hair coloring and conditioning products, etc.

For these arrangements, did you go to the other companies, or they to you?

A bit of both. Generally, the marriage takes place when you have the marketing and they have the technology. We find this is an ideal way to extend our base without going into acquisitions.

And, of course, there are a lot of potential acquisition areas where we are not allowed to tread because of antitrust implications.

What we have done since 1964 is to expand the categories of products in which we deal. Then, in the United States, we were operating in 24 categories that had a total sales potential of \$3 billion. At the start, we had 12½ percent of that figure. Last year, we were operating in 51 categories with a potential of \$15.8 billion and had only seven percent of that potential. But it gives us a lot more swinging room!

Is a category a family of products?

No. A category is detergent powders, golf equipment, tennis equipment, dentifrices, shaving creams,

liquid dishwashing detergents, and so on.

How do you choose your categories?

It is planned strategy. In the case of razor blades, not only did Wilkinson fit in with our marketing structure, but it matched up with our shaving cream distribution. A natural addition to our line.

Mr. Foster, what does it take to be a good manager?

Good management requires imagination to plan ahead, leadership by example, and being suspicious. Never think things are all they seem to be on the surface. Dig deeply for the problem areas. Never be satisfied with mediocre performance.

Also, know your business intimately. Let other people go into details and then make them give you, in concise form, the recommendations that should guide your decisions.

Anything else?

Well, you need the courage to make decisions, right or wrong. You need industry and devotion to the job you're presently in—not to the next one. And it's essential that you have the ability to work with people and that you avoid company politics.

Another thing: Intuition plays a great part.

Do you ever fret over decisions?

There is no point in losing sleep once a decision is made. The time to lose sleep is before you make the decision. A wrong decision should never stop or delay your next one.

The higher you go up the executive ladder, the fewer your bad decisions should be, thanks to your experience with making both good ones and bad ones.

To get into another subject, how do you regard the American business image today? Among rank-and-file consumers, for example?

I think it is worse than it should be. That is often the fault of big business.

A few companies, which dominate their businesses, feel it is more important to persuade the government to take an action than to persuade

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Improving Company Performance *continued*

the consumer. There's a trend, you know, to "Let our man in Washington take care of things." This seems like an easy way out.

But, it's much easier for government to take sides against business than the other way around.

How can business improve its image?

Principally, by making advertising believable. If we can't do that, the Federal Trade Commission, the Food and Drug Administration, or some other regulatory agency in Washington will do it for us. A product must live up to its advertising. A company must set standards and live up to them.

I think it's important, too, that we let the consumer know that we really care about the choice he or she makes or the problem he or she has with a product.

Of course, part of the blame for business's difficulties with its image lies with the regulations under which we are forced to operate.

What's a good example?

Remember how enzymes became a dirty word at Federal Trade and Food and Drug when they were introduced into detergents?

The federal government stepped in and decided that the use of enzymes posed a danger to factory workers and to consumers. A year later, the National Academy of Sciences gave enzymes a clean bill of health and said they were efficacious in the soaking of clothes.

Here is a case of the government sounding off before it had the facts.

Are you out of the woods as far as the government is concerned in this area of product safety?

Hardly. The Food and Drug Administration is now looking at all deodorant ingredients to see if they are harmful. It's possible you won't have a deodorant soap in this country in another three or four years or, for that matter, an aerosol deodorant.

I think we have reached the point of overtesting. Government scientists are magnifying tests hundreds of times more than necessary, rather than looking at ingredients in the proportions they are being used.

Once you make headlines with a suggestion that a product may be dangerous, even though that has not been proven, the product is dead as far as the consumer is concerned. It happened with enzymes. By the time enzymes were cleared, it was too late. It will happen with many other products which, if handled properly, benefit the consumer.

Let's drop back a few years. You said you were a flier in the British navy?

Yes, I volunteered in 1939. You saw a lot of service on carriers?

Not immediately. I was going out to win the war in the Middle East. We sailed from England in 1940 for carrier assignment. But the carrier we were going to join had been bombed out of action at Crete.

What did the navy do with you then?

Well, it lent us to the Royal Air Force to bomb Marshal Rommel's troops and stores in the Libyan desert. Two squadrons of naval carrier biplanes became the "pathfinders" in the desert, with naval navigators vectoring on targets in the sand dunes and scrub as they would navigate at sea. Once we found the target for that night we would drop our bombs and then keep it illuminated with flares until the Wellington bombers of the RAF had—we hoped—saturated the target.

When Rommel retreated from Benghazi after the Battle of Alamein, and we were over that battle area at night, we were sent to Malta to strengthen the naval aircraft contingent there which concentrated on trying to cut Rommel's lifeline by torpedo bombing ships on night sorties.

A short period doing similar anti-shipping strikes against French coastal shipping, and I was assigned to the torpedo bomber squadron on HMS Victorious, a fleet carrier in the Indian Ocean.

After a successful raid against oil installations at Palembang, we sailed to join the British Pacific Fleet in January, 1945. We called ourselves the British Pathetic Fleet, because America's Admiral King did not want the British navy to operate in

the Pacific, but after many weeks of idleness we were allowed to help in the Okinawa landings.

By the way, do you still have your dual citizenship?

No, and that's a funny story, actually.

After the war, when I already had joined Colgate, I traveled on a British passport. In 1949, when the company sent me to the States, I got back my American citizenship and gave up the British passport.

I was able to do that because I had joined the British navy rather than the army or RAF. In the navy, unlike the other two services, you didn't have to swear allegiance.

So when you returned to England four years later to take over Colgate's European division, you were a full-fledged American for the first time?

Well, even though I had surrendered my British passport, I was still technically a British subject. You never lose that status unless you renounce it.

When tax time came, in that first year I was back in England, my accountant got a call from the tax authorities advising him: "We still consider Mr. Foster a British subject. Therefore, we think he should liquidate what assets he has in the States and bring them over to England."

I didn't mind that so much because I knew the British tax system. You could reach a pretty good compromise with them. Something could have been worked out.

But the tax man added to his comment about the assets: "Is there anything worth having?"

And I went right down and renounced my British nationality.

That remark really got you?

Yes. It was not easy to renounce my British nationality, having been brought up in England and having fought for England for six years.

But when he said: "Is there anything worth having?" that was a little too much.

END

REPRINTS of this article are available from *Nation's Business*. See page 22 for details.

Why Government Neglects the Stockholder

It's time that those who own American corporations are heard on issues that affect them, says this prominent executive

BY WILLIAM S. MITCHELL

SOME PUBLICITY-SEEKING politicians and government agencies are using inflation as the rationale, even though illogical, for advocating drastic changes in the world's finest food distribution system. This tactic probably should not be surprising. The food retailer is in constant contact with all consumers and thus is the most visible target for such propaganda.

However, I am deeply concerned about the distorted allegations being made by some of these politicians and government agencies. They seem to be trying to turn our customers against us. They seem to want us to end up as either a highly regulated industry or be broken up—or both.

We cannot afford to ignore or to underestimate these forces. Their proponents may not know the marketplace, they may not know what provides products and services in our economy, but they are very adroit and articulate in appealing to the desire for an easy solution to every problem by change—for the sake of change.

Business activism

The remedies may not fit the ills, and the cure may be more costly and debilitating than the presumed disease.

I submit that we and the rest of the business community have been too

uncommunicative, too docile, and too defensive for too long.

We need to develop a business activist movement, and there is nothing I would like more than for Safeway's more than 60,000 shareholders to be the nucleus for such a movement or at least active participants.

Private enterprise has its faults, and we must correct them, but it is the only known system under which our personal freedoms can exist.

I'm not going to repeat all of the evidence demonstrating that the business community (i.e., private enterprise) has been a good and constructive force for this country in the 200 years of its history.

A self-evident truth

Among the truths that are self-evident is that almost any citizen who has lived anywhere else prefers to live here. This includes even the activists who seem intent upon attacking the entire system. I sincerely believe that much misinformation or at least a lack of valid information is at the root of this problem. Justice Brandeis once said: "The greatest dangers to liberty lurk in insidious encroachment by men of zeal, well-meaning but without understanding."

I would suppose that everyone is against noise. But does the taxpayer know that the noise-control standards proposed by the Occupational Safety

and Health Administration and the Environmental Protection Agency would cost between \$13 billion and \$30 billion?

We can't expect responsibility in government, fiscal or otherwise, unless we as individuals insist on it. When the President recently asked Congress to rescind about \$1.2 billion of appropriated funds, the House of Representatives defeated the request by a vote of 317 to 17.

Industry representations to government have had relatively little effect because they have tended to be summarily dismissed as offering the "biased corporate view." Letters from a few firms won't carry much weight, but 31 million communications from 31 million stockholders would cause a ground swell that could not be ignored.

In encouraging active input to the legislative process, I by no means intend to suggest that this would always be a negative input. In consumer legislation, for example, the interests of both consumers and business are more often than not strikingly parallel. Let's be positive, supporting good bills and opposing bad ones.

How stockholders are hurt

Stockholders are directly affected by the many government actions that increase the cost of doing business or

**"Let's be positive,
supporting
good bills and
opposing bad ones."**

—William S. Mitchell



prevent savings in the firms they own or that obstruct possible improvements in business methods.

For example, someone has said that "corporations don't pay taxes; they collect them." These taxes have to be passed along to you the consumer in the price of goods you buy. On top of this, do you think it's right that your dividends are taxed twice—once as corporate income and then again as income to you? If the 31 million stockholders of American companies all decided at the same time to complain about this to their representatives in Congress, they would be heard, and something would be done about this long-standing inequity.

Another example is the legislation being introduced to restrict a new development which, in fact, promises to bring a great improvement to food shopping.

The food industry has adopted a computer-readable Universal Product Code and symbol to be imprinted on consumer units. You may have noticed these symbols appearing on more and more cans and packages in the supermarkets.

When customers bring their selec-

tions to an electronic checkstand, the checker passes each item across a scanner window in the checkout counter. The scanner reads the UPC symbol on the package and sends the information to the in-store computer. The computer instantly displays the price on a screen—clearly visible to the customer—and then prints a customer receipt showing each item by name and price. It also keeps a record of sales and inventory.

Advantages of this system are considerable, particularly in the areas of improved checkstand accuracy, inventory control, and improved productivity. The highly competitive nature of food retailing assures that this improvement in efficiency willulti-

mately be reflected in consumer price levels.

The new system is definitely workable, but we do not anticipate any quick or widespread changeover. Installations are expensive and complex, and retailers will move cautiously in evaluating performance.

Before the facts are in

But even before all facets can be fully explored, the food industry is faced with legislation which could restrict these potential benefits. We are concerned that premature legislation based on inadequate and incomplete information might well slam the door on the necessary further testing, to the detriment of consumers and stockholders.

I am not appealing for help just on these issues, although they are important. I am suggesting that every stockholder look critically at all governmental actions or proposals which might adversely affect his or her rights as a stockholder, as a citizen, and as a consumer.

We need to be sure that those rights and interests do not get submerged in the morass of ever-increasing governmental meddling and muddling. We must guard against overprotectionism from whatever source.

The time has come when we should give some attention to protecting ourselves from self-appointed or overly zealous protectors.

END

MR. MITCHELL is president of Safeway Stores, Inc. This article is excerpted from an address he made to the annual meeting of Safeway stockholders.

Reprints of the article are available from Nation's Business. See page 22 for details.

"Letters from a few firms won't carry much weight, but 31 million communications from 31 million stockholders would cause a ground swell that could not be ignored."

What Travel Bonuses Mean to the U.S.

An old American business tradition, incentive travel, has caught on abroad. As a consequence, thousands of salesmen, distributors, and others employed by foreign firms are earning company-paid visits to the United States.

It couldn't come at a better time. The United States travel deficit is now running at about \$3 billion a year. Money from abroad spent here by tourists helps reduce that deficit.

American firms with branches or subsidiaries overseas are also giving employees and representatives there a free trip to America as a reward for meeting or exceeding sales goals. One of these firms is Culligan International Co., a manufacturer of water softening equipment.

At one point, the company was anxious to show off its international headquarters in Northbrook, Ill. So it offered a five-city, 11-day travel package to the U.S., with a visit to the home office, as an incentive for increased sales. Eight hundred thirty Culligan employees, distributors, dealers, and sales representatives from 34 countries made the trip.

The travel bonus boosted overseas sales between 20 and 30 percent, a Culligan spokesman says. This alone generated more than \$1 million in foreign exchange earnings for the United States.

In the first three months of 1975, Japanese and Mexican firms have awarded incentive travel trips to the U.S. to some 6,000 employees. The trips represent an outlay of \$2.4 million, most of it spent in this country.

The U.S. Travel Service, a federal agency, has been pushing incentive travel to the United States. It has conducted seminars for business firms in many countries, encouraging them to try VISIT USA sales incentive programs. Almost 100 members of the American Chamber of



Swiss, French, and Italian winners enjoy a travel bonus visit to America.

Commerce in Paris attended a seminar on the subject there. Three hundred members of the Mexican Sales Executives Association showed up at a similar meeting in Mexico City.

U.S. Travel Service representatives are also visiting Spain, Switzerland, Belgium, and Canada to promote corporate interest in incentive travel to this country. Since each incentive traveler visiting the United States spends approximately \$332 here, exclusive of air fare, the federal agency's effort is worthwhile.

Not all firms use incentive travel solely to increase sales or production. Some find it helps to curtail absenteeism and to obtain new distributors. In Japan, incentive travel is used as an employee retention tool, a U.S. Travel Service survey finds.

Some Japanese firms offer foreign travel to employees after one year of service. The offer is made on the implied understanding that the worker intends to stay with the company.

and the cost is usually split between the employer and the employee.

Incentive travel to Hawaii and the United States mainland is popular with the Japanese. More typical, however, is a four-day or five-day visit to Guam.

Richard H. Henry, director of the U.S. Travel Service's Office of Convention and Incentive Travel, says the VISIT USA campaign has many advantages for American companies that sell abroad or have foreign distributors and dealers.

"The main reason a company initiates an incentive travel program is to increase the productivity of its sales force or the efficiency of its production workers," Mr. Henry explains. "Incentive travel can boost intangible corporate assets as well. For example, the firm sponsoring an incentive travel program improves its image and promotes company, or brand, loyalty." *

continued on next page

A Different Approach to Pollution Problems

Most pollution problems can better be solved where they occur than by bureaucrats in Washington, says a former White House science adviser.

Dr. Edward E. David, Jr., executive vice president of Gould, Inc., Chicago, and head of one of its divisions, Gould Laboratories, says:

"I know how removed the Washington bureaucracy is from the problems of industry, or labor, or the consumer on a day-to-day basis. You have to work in great global generalities in Washington and when you apply these global generalities to local conditions you find tremendous inequities."

"By decentralizing control over environmental matters you achieve more individual decisions and more participation by various units of government and people. To the degree that you de-escalate this decision-making, you'll get more competent decisions and better decisions."

Dr. David, who served in the White House in 1971 and 1972, believes



Dr. Edward David favors tax cuts for companies when they reduce pollution.

that Congress is beginning to understand the economic impact of environmental rules and regulations. If so, he says, Congress may start to play down its role in environmental affairs. He adds:

"Two things have always been sacrosanct to Americans—their pocketbooks and their jobs. Hopefully, we will now be getting a more studied resolution of some of these problems. I think we'll see that in energy, in transportation, in safety,

and in how we use our natural resources."

Congress, he feels, has been too rigid in its view of what is required to clean up the environment. More often than not, he says, the congressional solution has been a negative one. Dr. David would like to see a positive approach applied wherever possible.

For example, instead of imposing a tax on automobiles which use a lot of fuel, he would offer tax rebates to owners of cars which consume smaller amounts. Also, industrial firms would be given tax cuts when they reduce pollution rather than be penalized for creating pollution.

"I am against this idea of establishing environmental standards," Dr. David says. "We have created a situation where either you meet these standards or you go out of business. This works to the detriment of the employee, the stockholder, the owner, and society as a whole."

"In all of this, it is not enough simply to look at the costs and benefits of environmental protection. Always, we must ask ourselves: Who will it cost and who will it benefit?"

Good Neighbors in Bad Times

Hard times hit the textile and hosiery mills of North Carolina's Alamance County last winter and shot unemployment up to 14 percent. County leaders then faced a choice—appeal to Washington for financial help or solve the problem themselves. They chose the latter.

"It really wasn't that hard a decision," says Clement C. Moseley, executive vice president of the Burlington-Alamance County Chamber of Commerce. "We had enough pride to know that it was a community responsibility and that it could be done by neighbor helping neighbor."

There wasn't much time to act. Rent and mortgage notes had to be met. Utility bills had to be paid. Before long, some families would run out of food.

Chamber President J. Norman Young called a meeting of local busi-

nessmen, civic leaders, religious heads, and city and county officials. A steering committee was organized. The plan was to take care of hardship cases first and, later, to look for ways to bring in new industry.

The Salvation Army, because of its organizational structure, was picked to coordinate the task of collecting food, clothing, and other needed items. Service clubs, churches, and other groups offered volunteers. Schoolchildren were eager to help.

Response was immediate. County financial institutions agreed to extend payments so that none of the unemployed would lose their homes or automobiles. Some loans were refinanced.

"We started Operation Relief," Mr. Moseley recalls. "Twenty-six civic clubs joined in an unprecedented co-operative drive to obtain clothing, furniture, household goods, and money. Collection stations were manned at shopping centers and firehouses."

Then, Sharing Saturday was

launched. Schoolchildren brought in canned goods and other foodstuffs. Grocery shoppers were asked to buy an extra item or two of food to be dropped off at 22 additional collection stations run by Boy Scouts and the 4-H Club. Enough food was donated to feed several hundred families through the winter and spring. Restaurant owners offered a guarantee that no family would go without food, but they were never called on to make good their offer.

One grocer donated more than \$20,000 worth of food.

"Aside from a little money that came from the county government and the five municipalities for organizational purposes, we sought and got nothing from the outside," says Mr. Moseley. "None of us considered it anything unusual to help our own people in time of need. We recognized that here were people who had fallen victim of a situation over which they had no control. We are proud that we could help them."

Why Some Companies Buy Back Stock—and Some Don't

The stock markets have seen a boom in corporate repurchasing of shares. Here's a discussion of this trend

BY STEVEN JAMES LEE

When stock market historians review the significant trends of the early 1970's, they will find that one of the important developments was the extent to which corporations repurchased their own shares. More than 25 percent of the companies listed on the New York Stock Exchange have done so in recent years, and the proportion is higher on some other stock exchanges.

This trend deserves attention. It represents a contraction of equity markets which reverses the highly expansionary psychology of the late 1960's.

In buying back the company's stock, the underlying logic of management is usually impeccable. Still, critics say, unforeseen and uncontrollable risks may be involved in this practice. New events and their stock market impact, the general economic picture, and technological developments can have dramatic effects on the value of issuer-held shares. In addition, a good argument can be made that excess cash should be employed more creatively or that it should be distributed to shareholders through increased dividends.

On the other hand, many executives say stock repurchases are an excellent device for implementing specific corporate goals. They contend that the growing popularity of reacquisitions stems largely from reaction to the current economic climate.

In the past, it would have been difficult to buy up a significant number of shares without causing prices to skyrocket.

Today, large numbers of old-line companies see their securities trading below book value, or even liquidating value, with many institutional investors willing to sell their holdings.

Varied reasons

If we were to broadly group the reasons companies give for repurchasing their shares, the reasons would fall into ten categories:

1. Offset a dilution from the exercise of stock options.
2. Adjust the corporation's capital structure by reducing the common equity.
3. Accumulate shares for acquisition purposes.
4. Prepare for conversion of senior debentures or preferred shares.
5. Increase earnings per share.
6. Begin to shift from being a public to a private company.
7. Employ excess cash to buy common shares because they appear undervalued.
8. Make the corporation a less likely object of a surprise tender offer from outsiders who might desire control of the company.
9. Give the public a concrete demonstration of the confidence management has in the company's future.
10. Remove a large block of stock, being sold by an institution, which is depressing the price of shares.

How many are repurchased?

It is impossible to tabulate accurately the full number of shares repurchased by all companies. Transactions on regional exchanges, in the third market, and in the over-the-counter market cannot be easily identified.

However, we can get some idea of what has happened from the New York Stock Exchange. Based on monthly reports prepared by the exchange, the net number of shares re-

PHOTO: VICTOR S. BREWER



Mr. Lee is a financial consultant with Bankers Trust Co., New York.

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Why Some Companies Buy Back Stock—and Some Don't

continued

acquired by companies listed there was 11.2 million in 1972, 98.9 million in 1973, and 38.5 million in 1974.

These figures have been adjusted for stock splits, stock dividends, and repurchases of preferred stock.

The most obvious way in which a company acquires its shares is to place an order with a broker. Under present Securities and Exchange Commission regulations, corporations are not required to disclose their stock purchase programs, except in certain instances and always after the fact.

To deal with holders of a large block of stock, off-board block transactions are often used. This has the advantage of being a quick way to reacquire a sizable quantity of stock at around the market price. It has the drawback of lessening institutional participation in common shares, which may reduce future stock-price stability and institutional interest in the company.

Cash tenders popular

One of the other popular approaches to repurchase is the use of the cash tender offer. In this case, a firm gives public notice that it is willing to buy a certain number of its shares at a fixed price before a certain date. This is a totally voluntary transaction—shareholders are free to tender their shares or keep them. In general, a premium of 25 to 100 percent is offered over the stock's last free market price before public announcement.

A specialized kind of cash tender is one which is financed through an employee stock ownership trust. Such a trust borrows money against the company's guarantee and the stock to be acquired. The company's tax-deductible contributions to the trust are then used to repay the loan. The disadvantage here is that the trust's stock does not reduce the number of outstanding shares and thus has no effect on earnings and book value per share.

An exchange offer is the most practical means for a company to reacquire its stock without using cash resources, although such an offer has the disadvantage of being the most expensive method in the long run. The company creates a new class of

security for this transaction, offering public shareholders an interest-bearing debenture in place of common stock. It may be difficult to succeed with exchange offers because they only offer shareholders another security in place of the one they hold. This is generally not as attractive to investors as a cash payout.

One company's experience

Reacquisition of shares is not always a safe haven for company funds. In a declining market, the firm can suffer severe paper losses. This was dramatically demonstrated by Teledyne, Inc.

Teledyne made a cash tender in October, 1972, to buy one million of its shares at \$20 per share when the market price was around \$16. Shareholders responded by tendering some 8.9 million shares—almost one third of all outstanding common. Management paid \$178 million to reacquire this extraordinary large block of stock.

In January, 1974, Teledyne repurchased an additional 1.6 million shares for \$14 in a \$22.4 million transaction.

At the lowest 1975 market price of 9 1/2, the company had a paper loss of some \$93 million on its first purchase and \$7 million on the second.

Opponents of stock buy-in decisions point out that the company might have been much better off investing the funds in new business development. Nevertheless, it is clear that Teledyne management believes in the company's future and is willing to take a long-run view of its investments.

The eventual success of a repurchase program may be measured in many ways, according to a company's individual needs and objectives. A company with such a program should be aware of possible charter or by-law restrictions, special limitations in loan agreements, and the regulations in the company's own state law which may apply to the program.

Once the technicalities have been examined, it is management which must decide that the business purpose behind a stock repurchase outweighs any possible market consequences.

How to Be a Better Listener

BY SHERMAN K. OKUN

A manager can't be fully effective unless he is fully informed. Here is some concise advice on obtaining information through personal contact

A RECENTLY APPOINTED vice president of operations of a machine tool manufacturer found that unanticipated problems—such as materials shortages, cost overruns, machine downtime, and lost orders—kept cropping up. Evidently, he assumed, the company's reporting system was not providing him with adequate timely information.

He called in the corporate information system's staff and asked them to review his reporting systems. The staff then developed a new set of reports—but he found the same unforeseen problems kept recurring.

The vice president then felt sure that a basic organizational problem was leading to these difficulties. He called in a management consultant, and the consultant soon spotted the trouble. The information the vice president needed was readily available. But it was not being presented to him. The fault lay with the executive, not with the organization. Whenever potential problems were being discussed, the consultant discovered, the vice president quickly began to assess blame instead of calmly seeking solutions.

As a result, no one dared to bring potential problems to his attention.

He was not a listener.

Three conditions to meet

Communications difficulties are a universal problem in business organizations. All too often, we forget that communicating is a two-way process that involves listening and responding to messages as well as giving them. Too often, real, ongoing communication upward to management is obscured, largely because managers won't or can't hear what is going on.

Three conditions must be met before communica-



Untie communications knot

DRAWINGS: CHARLES A. DURK

tions can take place successfully. Subordinates must:

1. Know what their seniors need to hear.
2. Be given the chance to provide this information.
3. Work for people who can accept it in a way that will not discourage disclosure.

Remember, reports are just one channel of communication. Only a part of the information executives need can be transmitted in writing. Many facts, nuances, and feelings can't be adequately presented on paper.

Therefore, a manager must be able to obtain information through personal contact. Otherwise, he cannot be fully informed. Thus, an otherwise excellent manager may not be truly effective unless he is a good listener.

When to listen

Anytime you talk with one or more people, you are in a listening situation. This may be at a private conference with an individual subordinate or at a group meeting, whether a formal presentation is being made or not. It may also occur when talking with people outside the organization, such as a client to whom you are selling or a salesman who is trying to sell to you.

In any of these circumstances, the people with you will have facts, opinions, or feelings that you should know about. Without learning about them, particularly if they come through disguised so as not to upset or contradict you, you will not have accurate, complete information on which to base decisions.

Your staff may have additional information or feelings which, had you been aware of them, might have led you to different conclusions.

At the same time, it should be remembered that lis-



Can't or won't listen



Negative attitude

taining is not accomplished solely through what is said. How something is said, what is not said, and other nonverbal aspects all provide information.

What to listen for

Facts, while obviously important, are not the only thing to listen for. Subjective data—thoughts, feelings, and beliefs—also provide important information.

For example, it is necessary to know that a particular sale was lost because of pricing. But it is also important to learn if the salesman did or did not create a relationship with the prospective customer that could result in future sales.

This additional information sometimes has to be carefully drawn out by an alert manager.

Likewise, you should listen to ideas and opinions. Perhaps a new approach to pricing should be considered in view of the last sale. But the full story will not be told if the person who did not land the order is put on the defensive.

To get all the information they need to hear, managers must create an environment in which subordinates or peers can speak up without fear of reprisal or criticism. Inattention also can quickly dam up communications.

Many managers ask their subordinates for information or opinions. However, they often create situations in which their juniors will not be able to offer facts or opinions fully and frankly. This may happen because the manager, despite what he says, appears to be uninterested. Also, he may react negatively to unpleasant news or make it hard to say what he doesn't want to hear.

Thus, an authoritarian, fault-finding approach by the boss will make it difficult for others to believe that he really welcomes their information.

Even where employees don't feel threatened, addi-

tional steps are needed to ensure good communications:

- Create a pleasant, businesslike setting. While you can discuss many subjects in office corridors or in the cafeteria, free flow of business communications should be fostered in a more formal setting. A quiet, comfortable office is one of the best places to establish a good listening environment.

- Minimize interruptions. Limit telephone calls and visits by others as much as possible when trying to hear what a subordinate has to say. In other words, focus on him.

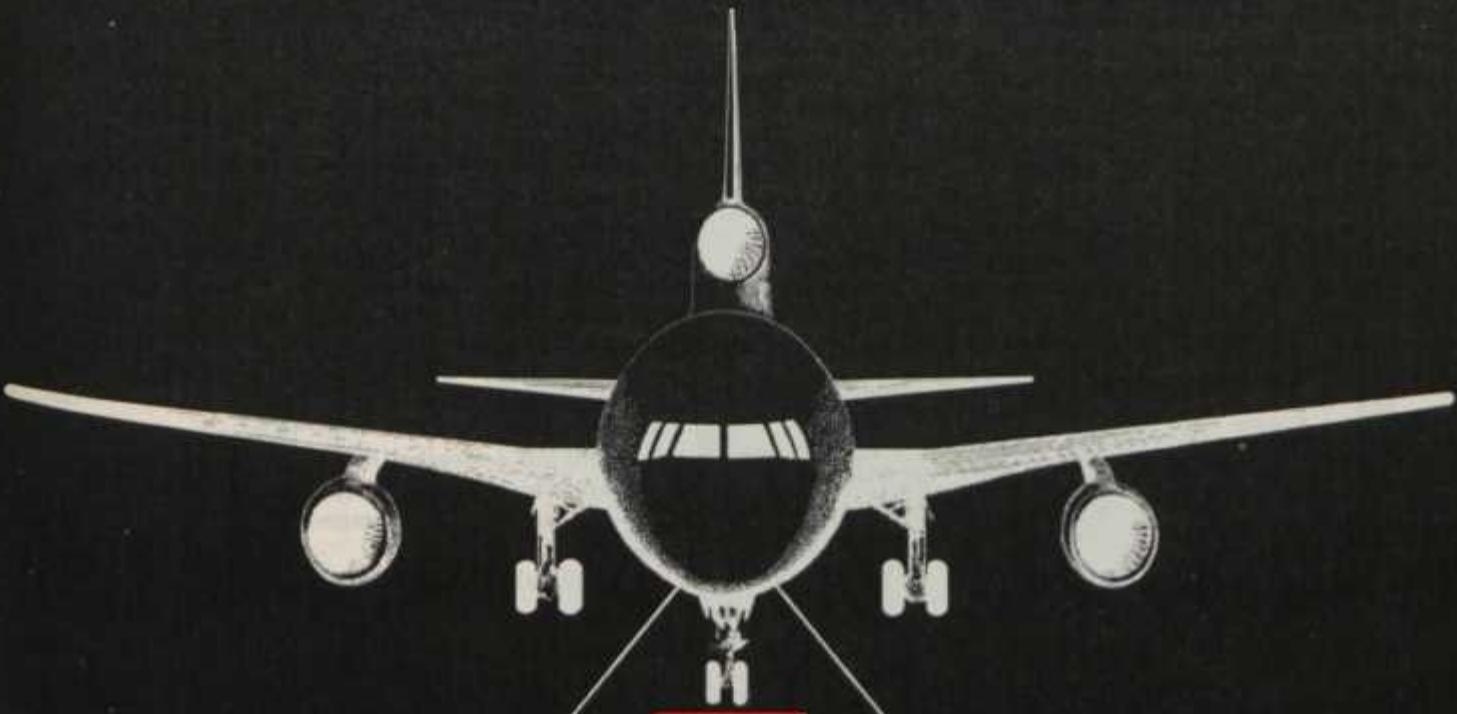
- Pick a good time to listen. Late Friday afternoon, when people are tired or thinking about the weekend, can be a bad time to try to communicate. Fairly early in the morning, when both parties normally are fresh, is often a better choice.

- Break off meetings if the atmosphere isn't conducive to good communications. If you are becoming upset or if there are too many interruptions, it's better to reschedule the meeting. You can learn more when you reconvene than you would if the original meeting fails because of the wrong environment.

When it's your turn to talk

In order to listen, you must respond positively, both verbally and nonverbally, to what is spoken and how it is said. To ensure full disclosure from others, you should:

- Speak understandably, with terminology similar to that of the speaker.
- Repeat statements for clarification.
- Summarize key points for verification.
- Use verbal reinforcers, such as "yes" and "I see."
- Use first name or "you."
- Give information that the speaker doesn't know, when that is appropriate.
- Answer questions frankly when you can. Other-



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If this principle is lost, we lose everything.

The unfortunate paradox, however, is that the wrong kind of laws can create problems.

How can such a thing happen?

Well, it can happen if responsible citizens relax their vigilance—and permit too many poorly thought-through laws to be passed by Congress. Laws that are turned over to bureaucrats to administer and interpret and to reinterpret the interpretations.

What can you do about it?

Not much, if you try to do it alone.

But strong, determined, organized effort is something else.

When you are a part of the organized effort of your chamber of commerce—when you work on a teamwork basis with other business and professional people in your community who think as you do about vital current issues and proposed legislation—you help shape the future of the country.

You help preserve "a government of law and not of men."

PETE PROGRESS

Speaking for your chamber of commerce

How to Be a Better Listener *continued*

wise, indicate that questions can't be answered.

- Use humor that does not offend.
- Phrase interpretations tentatively so that genuine feedback is produced from the speaker.
- Don't pass judgment on what the other person says.

It is important not to criticize. When listening and afterward, do not downgrade opinions or attitudes. Punishments and rewards should be separated from what's said and associated with performance. You won't learn much, either, if you play the hard-boiled boss and make the speaker play the underling.

In other words, exclude blaming, cajoling, exhorting, demanding, patronizing, straying from the subject, intellectualizing, or overanalyzing.

Then there's body language

There are nonverbal actions, as well as words, that can help or hinder communications. These make up the so-called body language of which we've heard so much lately.

Nonverbal actions which assist communications include:

- Maintaining eye contact.
- Occasionally nodding the head in agreement.
- Smiling and showing animation.
- Leaning toward the speaker.
- Speaking at a moderate rate, in a quiet tone.

As with verbal responses, body language can be negative, particularly when used in excess or contrary to your character. If so, it will diminish the flow of information. Thus, you should avoid:

- Looking away or turning away from the speaker.
- Sneering or using other contemptuous gestures.
- Closing your eyes.
- Using an unpleasant tone of voice.
- Speaking too slow or too fast.

Praise, don't threaten

Thus, there are many ways you can help or hinder the speaker and, in turn, affect what is presented to you.

If you work at it, you can gradually get your associates to talk more openly. One way is to praise them for being frank.

This does not mean that you should not, when appropriate, voice your feelings about being disturbed or unhappy. But this should be done in a constructive, nonthreatening way.

When he comes across as a real listener, the manager will be in a much better position to establish good communications. When that's done, he can really learn what is going on within the organization and fully use the talents and information of his subordinates. But becoming a good listener is like learning to eat raw oysters. You must work at it.

END

THE AUTHOR is vice president, Folger & Co., Inc., management consultants, Boston, Mass. Reprints of this article are available from *Nation's Business*. See page 22 for details.

The New Woman's Touch in Banking

Banks which specialize in certain types of customers have long existed on the American scene. Meet the latest arrivals

IT COMES as something of a surprise when you walk into The Royal Bank of Scotland branch on Princes Street in Edinburgh to find a sewing room where customers meet their dressmakers for fittings.

The bank's pastel motif and the feminine flavor of its furnishings are also unusual.

And—surprise of surprises—there is not a single male on the premises. No male tellers or loan officers, no male manager, not even male customers.

This is the ladies branch of the Royal Bank—and it is easy to miss the small letters chiseled in the building's facade that identify it as such.

The closest a man gets to doing business here is to have a joint account with a woman who does all of the check cashing and other banking. Days go by in which the only man to enter the premises is the postman.

The ladies branch is ten years old and glitteringly successful. It began with less than 300 accounts and now has several thousand, says the attractive Scottish lady, Elizabeth Ritchie, who is manager. "We started with four employees and now we



PHOTOS: MARGI CASTELLOE

The State National Bank of Maryland branch in Bethesda, Md., goes after women's business by—among other things—providing a playpen, complete with play money, for the kiddies while mothers bank. The branch is staffed mostly by women, from manager Eve Grover (second from left) to the tellers.

have ten," she adds. "The Royal Bank is entirely happy with us. Other banks are watching us with the idea that they might open ladies branches of their own."

Edinburgh's ladies branch isn't the first of the genre—a similar, but smaller, bank operation was organized in Auckland, New Zealand, 14

years ago. And the Scottish operation certainly isn't the last.

Across the Atlantic

The idea of banking devoted to women has now leaped the Atlantic. The First Women's Bank has been chartered in New York and hopes to be ready for customers this fall in

The Woman's Touch *continued*

Manhattan at 111 East 57th Street, site of the famed and now-defunct Le Pavillon restaurant.

Women's banks are in various stages of formation in California, Connecticut, and Illinois. Other American banks have tellers' windows designated for women. In addition, at least a dozen all-women credit unions exist around the U.S.

And in Bethesda, Md., on the outskirts of Washington, D.C., the State National Bank of Maryland has just converted a branch into one whose primary mission is to serve women. State National officials brought in Alice Heyman, who helped put together First Women's in New York, to tell them how to set up such an operation.

A place to leave the baby

The Bethesda bank's manager is a female—Eve Grover. In it is an extensive library with all sorts of books on business. There's a place to leave the baby while attending to affairs of money. A small conference room can be used for neighborhood meetings. Seminars are held on Social Security, child care, and law changes as they apply to women.

Women's banks in America differ from the one in Edinburgh in basic ways:

The Royal Bank branch is exclusively for women while the American banks welcome all the male business they can get.

While the staff of the Edinburgh operation is all-female, both sexes are represented on the U.S. banks' staffs.

The Edinburgh installation is entirely feminine in appearance while the American banks are almost neuter.

Then there is the use of the word women instead of ladies. Scottish females do not like being called women while many American females say they suspect condescension by males when called ladies. The argument that American men often call a female a lady to upgrade her from ordinary women falls on deaf ears.

And the Royal Bank branch—being British—serves tea.

When you ask the women who set up First Women's in New York why they did so, you get a torrent of answers.



One aspect of the State National Bank of Maryland drive for Washington area women's business is a series of lectures and seminars at the bank's Bethesda branch that are of special interest to women. The first seminar was supervised by a successful businesswoman, Betty Talmadge, wife of Sen. Herman Talmadge (D.-Ga.).

Madeline H. McWhinney, a veteran of the Federal Reserve System who is the bank's president, says the idea was "to give special attention to women's needs for personal credit, business loans, and mortgages, to give advice on investments of interest primarily to women, and to help in management of their money."

A matter of attention

She adds:

"We felt that women were not getting proper attention at most New York banks. And, after all, it's not unusual for a bank to specialize. Some banks specialize in serving old people. One New York bank specializes in handling accounts of fur merchants. Some banks cater to Cubans. We specialize in the women's market, but we are not here exclusively for women. We are completely nondiscriminatory."

"We found a big problem with existing New York banks. Senior management would set a policy to equalize business financing opportunities for women. But it would take far too much time to get the word on the new policy out to the branches.

"One New York bank conducted a school on women's rights and affairs. Then the bank sent women out among the branches in a test of whether the new policy was being adhered to. The women failed many times to get their due because the branches simply did not have the word."

President McWhinney says First Women's is going to compete with other New York banks by giving better service, not by giving cheaper loans.

"The First Women's Bank is de-

signed to be national in scope, not just another local bank," she adds. "We have been contacted by women from all over the country who want us to handle their accounts and their business. We expect to be in the black in a year, although most new banks take three or four years to turn the corner."

First Women's was late in birth. Originally, it was to have been launched with \$4 million capitalization in 1974. Then came the recession, and pledges to purchase 200,000 shares of stock at \$20 each were slow to be converted into actual buys. Many pledges were reduced, others canceled. The bank finally was capitalized at \$3 million.

Between last December and mid-March, when capitalization was achieved, it often seemed to the bank's founders that their baby wouldn't survive. The women who pushed to save the bank during the rough days—President McWhinney, Ms. Heyman, Evelyn Lehman, Eileen Preiss, and Carol Greitzer—watched the seed money rapidly disappear into supplies and \$8,000-a-month rent.

Help from their friends

But they got encouragement and help from the New York State Banking Commission and influential friends, of whom they had many. Ms. Heyman is active in New York Republican Party affairs. Ms. Lehman is a partner in the law firm of Gifford, Woody, Carter, and Hays. Ms. Preiss is vice chairwoman of the New York State Democratic Committee. Ms. Greitzer is a New York City Council member.

In the past ten years, many laws

that penalized women in getting loans and establishing credit, running businesses, or managing inheritances, have been struck from the statute books. However, a few remain. And some businesses in the financial field treat women differently than men.

If the Equal Rights Amendment to the federal Constitution, which is slowly making its way around the state legislatures, is ratified, such discrimination will be outlawed. But the amendment might never become law—a number of legislatures have voted it down. Even many women oppose it on grounds that it can take away special protections they have and destroy traditions they like.

Causes for complaint

So, until discrimination on the basis of sex is totally abolished, the women's banks will be fighting such things as:

- Refusing credit cards to highly paid women until they get their husbands' signatures as being jointly liable. This happens in some cases where the husbands are nowhere near as well-paid as the wives.
- Requiring women to sign pledges that they will not become pregnant, or that they will take birth control pills, during the life of notes and mortgages.
- Granting credit to unemployed husbands but refusing it to employed wives.
- Disregarding the wife's income when negotiating loans for young married couples.
- Making credit particularly hard to get for divorced women as compared with their male counterparts.
- Making it easier for a widow to get a credit card in her husband's name than in her own name, although she may be employed and a good risk.

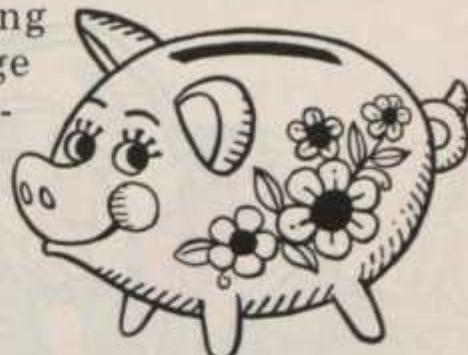
American banks, savings and loan organizations, and credit card companies correctly report such practices are now extremely rare. But women point out they do still exist.

So, enterprises like First Women's Bank say, they are making sure that women get equal rights. And, it might be added, they expect to pick up quite a bit of business while they are at it.

END

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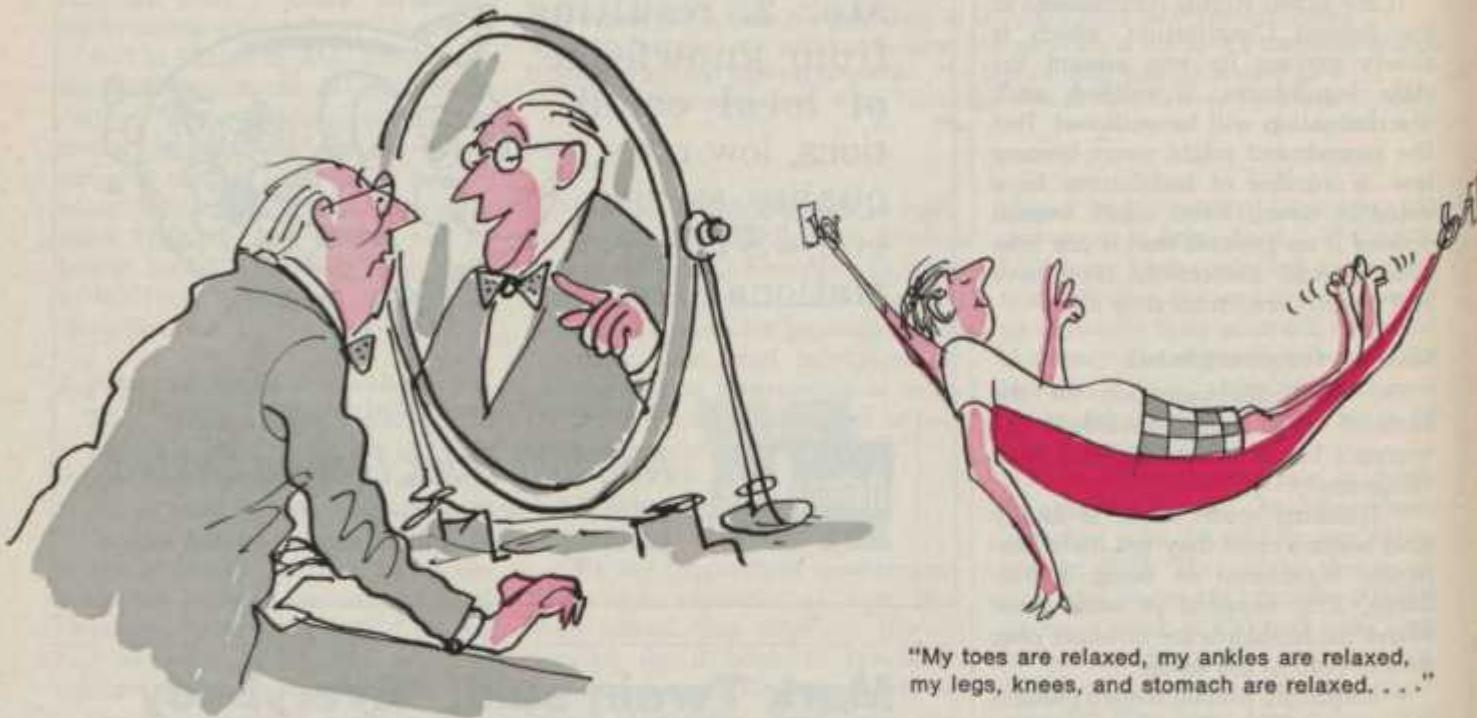
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Feel Better, Live Longer,

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You should train yourself to get rid of tension.

"My toes are relaxed, my ankles are relaxed, my legs, knees, and stomach are relaxed. . . ."

WHAT QUESTIONS are more important to business executives than these:

- How can I live longer?
- Is exercise of any value?
- What can I do to feel better?
- Will it help if I watch my diet?
- How can I avoid tension?
- Do businesswomen have special health problems?
- What diseases most often kill executives?

These and other vital questions are answered in this interview with three outstanding physicians who specialize in the health care of business people. All are internists at Duke University's famed medical center in Durham, N.C.: Dr. Edward Harvey Estes, Jr., Dr. Redford B. Williams, Jr., and Dr. Woodhall Stopford. Dr. Stopford is an authority on annual checkups.

Dr. Estes, what are the biggest killers of business executives?

First, heart attacks. Then cancer, nervous breakdowns and other psychiatric illnesses, suicides, and auto accidents.

Dr. Williams, are there new health problems that affect executives?

In recent years, we have become much more aware of what is called Type A behavior—a pattern common to people who are prone to coronary attacks.

These people are men and women, often business executives, who are hard-driving, competitive, and much involved in their work.

They can't stand to wait. Everything has to be done five minutes ago. Standing in line at banks, at airports, or anywhere else ties these people up in knots.

Their plane doesn't leave for an

hour, but they go crazy waiting. Under their breath, they curse that guy up front who is taking so much time getting his ticket or weighing his bag.

They can't wait for someone else to stop talking so they can begin.

These people have two to four times more risk of a heart attack in their 40's and 50's than other people.

Why are they called Type A?

Because doctors felt they needed a tag to identify them. Someone suggested calling people with these characteristics Type A to distinguish them. All the rest are classed as Type B.

Do you know what will help Type A people live longer?

No one knows for sure, but I would suggest the following: They should tell themselves to wait a minute. Cool it; calm down.

So what if it does take them five

and Work Like a Horse

handling health problems of people in business

Exercise helps you get your mind off your problems. Walking can be as good as jogging.



A strenuous workout is good, but don't overdo. Bicycle riding is an excellent form of exercise.

ILLUSTRATIONS: LEON HERSHFIELD

minutes longer to get through a line?

Many of us are Type A because the modern pace seems to generate that kind of behavior.

There's a story going around that Type A behavior gets you up high in the company but that the president and chairman are Type B's who know how to get Type A's to do the work.

What are other coronary inducers?

High blood pressure, high cholesterol, smoking.

Dr. Estes, what are the symptoms of a heart attack?

Chest pains, heavy sweating, nausea. If a pain in the center of the chest or on the left side goes down the left arm, you want to see your doctor right away.

Dr. Stopford, you do a lot of work involving annual checkups of execu-

tives. Are you looking for anything new, or doing any new things?

Yes. The theory on annual checkups has changed in the last five years. Executives used to get them from head to toe. Actually, the information of real value coming from an examination like that probably doesn't justify the time and expense involved.

Now, when we look at someone, we look for the diseases which are most common to his or her age group.

One disease we look for specifically in men of middle age and up is cancer. Not so much cancer of the lung, but of the colon. This can be detected relatively early, which increases the chance of survival.

Prostatic cancer occurs fairly often in executives in their 50's and 60's. This can be spotted by feeling for a nodule, or lump, in the prostate gland. And we hope to develop

an even earlier method of detection.

When we give a checkup, we always ask if a person smokes. We can now do pulmonary function testing to see whether a person falls in the group of those who suffer especially bad effects from smoking.

In the past, chest X-rays have been the primary clue to lung cancer. Now, we look for abnormal cells in a person's sputum. They give an earlier warning signal.

In women, we look for cancer of the breast, although I must say that 80 percent of breast cancer is detected by the woman herself.

Cancer of the cervix is a major cause of death among women. But it can almost always be detected early by a Pap test.

Dr. Estes, let's take an executive who is middle-aged, fat, worries too much, exercises too little, has a drink at lunch and two before dinner.

Feel Better, Live Longer, and Work Like a Horse *continued*

What should he do, aside from having his head examined?

He should lose some weight and be more active. He should walk up and down the stairs, instead of always riding elevators. He should go out in the evening for a walk, except in cities where he's likely to get mugged.

Exercise helps you relax and get your mind off the day's problems.

Is jogging helpful? Or riding a bike?

Walking is often as good as jogging. A preventive for coronary disease is to raise your heartbeat rate

quite a few calories to your intake, and drinking increases the appetite.

As for a drink at lunch, that steps up your desire for food, too. You eat more and become more sedentary all afternoon. However, a lunchtime drink does relax you a bit.

Can you talk a little more about relaxation, Dr. Williams?

Yes. Learning to relax is the most important thought I'd like to get across in this discussion. Stress or tension is an occupational disease with executives. It comes from too rapid a pace, too many deadlines to

stomach are relaxed." You work all the way up to the top of your head.

There are clinics that are very good at treating tension headaches and teaching how to tone down your body responses to stress.

Once a person masters these techniques, he tends to employ them automatically in tense situations.

Obviously, it helps not to have back-to-back business conferences. It helps to build some slack time into every working day.

Also, you should not work or talk shop during lunch. Use this time to eat and enjoy yourself. Give your body time to digest your food without tension.

One very foolish thing many executives are guilty of is skipping vacations. A company should insist that executives vacation occasionally.

Any more suggestions on how to combat tension?

One thing, when you know you will have a heavy conference or a heavy work load for the next few hours, eat, drink, and smoke less.

Dr. Estes, which meal is the most important?

Perhaps breakfast. Some people can get by with a light breakfast, while others need a big one. The more a person exercises, the more likely he is to need a hearty breakfast.

One clue is how you feel at the end of a meal.

For example, some of us complain about feeling sleepy after big lunches, but we keep eating them. The body is trying to tell us something, but we don't listen.

One thing is certain. Americans eat too much.

Is there any relation between our eating habits and cancer of the colon?

There has been evidence recently that a person who eats a rough diet—lots of fruit and vegetables, for example—gets some protection from this disease. Roughage may help a lot. Smooth and bland foods do not.

Dr. Estes, is sexual intercourse helpful or harmful to middle-aged executives?



to 160 at least once or twice a day. This means a lot of exercise, like jogging about six miles.

Jogging a mile or two a couple of times a week doesn't really help you much.

Bike riding is excellent. I ride a bike to and from my office.

Dr. Williams, what about golf?

It is the best way I know to ruin a good walk.

Well, then, what about tennis?

Don't overdo it, and don't play singles. And don't overdo jogging, either. There's the old story about the business executive found dead on the jogging path with a stopwatch clutched in his fist.

Dr. Estes, is light drinking okay?

A couple of highballs at night are fine. But remember, you're adding

meet, too much competition, too many goals to achieve.

To be successful, it helps if you're hard-driving and competitive, so we can't expect business people to stop that. But we can help them counteract the ill effects.

The reason they feel tension is that the heart starts to beat faster, blood pressure goes up, arteries are subject to much strain. You have tension headaches; you clench your teeth; the muscles in your forehead and neck get tight.

Keep in mind, women are just as susceptible to this as men; maybe more so.

What we can do is train business people how to relax and get rid of this reaction. A big help is to talk yourself into something like a trance. Then you'll relax. You say to yourself: "My toes are relaxed, my ankles are relaxed, my legs, knees, and

ADVERTISERS IN THIS ISSUE

It certainly isn't harmful, unless it's extramarital. The psychological impact of extramarital affairs could be harmful, not the physical act.

Dr. Stopford, what about smoking and health?

Some people are little affected by smoking. Others may get lung cancer. I feel there probably is a genetic predisposition which determines which group you're in.

This is all rather tenuous. But I don't think there is any evidence that smoking does anyone any good.

Dr. Estes, you don't smoke. What do you say?

A person who smokes increases his chances of developing heart and lung disease. That's incontrovertible. From a statistical standpoint, 1,000 people who smoke are going to have more of those health problems than 1,000 who don't smoke.

Dr. Stopford, what maladies are women executives more susceptible to than men?

Well, apart from those due to their sex, such as cancer of the breast, they seem to be more susceptible to arthritis. As they grow older and go through the menopause, they seem to lose protection they once enjoyed from some diseases. For example, the rate of heart attacks in women then begins to approach that of men. Younger women have a lower rate than men.

Dr. Williams, does a business recession affect health?

It certainly can. When the ability to manage life, to be in charge, is called into question by events over which a person has no control, then all kinds of illnesses may result: heart attacks, cancer, colds, tuberculosis, almost any kind of illness.

Many events in life seem to have an impact on health. These events can be sad or happy. For example, the death of a spouse or getting a big, new job. It requires energy to cope with change, either for the better or for the worse.

END

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BUSINESS: A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

Panel Ponders How to Gauge Wages of Federal Workers

A newly established presidential advisory group, after digesting written comments from interested parties, plans to schedule hearings soon on U.S. government employees' pay and extra benefit levels.

The task of the Panel on Federal Compensation is to make policy recommendations to the President on how the government can best determine the appropriate level of compensation for its employees under the principle of comparability with private enterprise.

Knotty questions to be answered deal with how extra benefits should be compared, who federal employees should be

comparable to, whether state and local government employees and certain others should be included in the determination of comparability, and whether federal salaries should be the same throughout the country for a similar job or comparable to local pay.

Increases in federal employee pay in recent years have been a source of concern to many businessmen. They find that they sometimes lose good workers to better-paying, tax-supported government jobs.

A major area to be reviewed is the manner in which federal comparability studies have been conducted and who should conduct them in the future.

Guarantee Is Out as a Warranty Word

As a result of Federal Trade Commission guidelines, warrantors and suppliers of consumer products are going to have to shelve the use of the word guarantee. Also, they may have a shorter "reasonable period of time" to live up to warranty pledges.

FTC issued the guidelines, which may be amended or superseded by regulations it will draft, to show how to comply with the Magnuson-Moss Warranty Act. Consumer products manufactured after last July 4 must comply with the law's warranty standards.

Under the law, passed last year, manufacturers of products valued at over \$5 who offer a warranty must give the consumer either a full warranty or a limited one of a certain type. In coming months, FTC will issue regulations spelling out in detail the

procedures for consumers to use in recoveries under warranties. Until then, FTC says, its applicable rules, such as "Guides Against Deceptive Advertising of Guarantees," remain in effect.

The word guarantee, although it holds the same meaning as warranty to businessmen, will be dropped, advises FTC, because its use in connection with warranties is said to confuse consumers.

Under the new guidelines, a product under full warranty that proves defective must be replaced or repaired within a reasonable period or the full purchase price must be refunded.

Many state and local governments' laws define a reasonable period as 30 days. FTC indicates it favors 21 days. The courts will probably have to settle that issue.

Could Postal Service Save a Bundle in Rural Areas?

The deficit-ridden U.S. Postal Service could save a probable \$100 million annually if it closed about 12,000 out of some 18,000 small, rural post offices.

And it wants to close them. But it will need an assist from Congress.

The General Accounting Office has studied the problem of rising postal costs and thinks this is a promising area for savings. It finds that equal or better service could be provided users of those 12,000 offices from post offices covering larger areas.

GAO came to its conclusion after inter-

viewing citizens of 32 rural communities where small post offices had recently been closed. The communities are in 28 states.

The Postal Service is hemmed in by the Postal Reorganization Act, which says flatly that no small post office may be closed solely because it operates at a deficit. GAO recommends that the law be amended to say no small post office may be closed for operating at a deficit unless the quality of mail service is maintained. With this kind of mandate, the Postal Service could go about trying to save that \$100 million.

Another Type of Disaster Aid for Small Firms

Small businesses suffering economic injury as a result of disruption of public utilities' operations have friends on Capitol Hill.

The House has passed a bill, H.R. 4888, to amend the Small Business Act so Small Business Administration disaster loans can be made to businessmen like those in New York whose telephone service halted due to a fire last February. Among 100,000 phone company customers affected when the blaze destroyed a phone line switching building were 8,400 business and professional offices.

The Small Business Act presently recognizes two generic types of disaster victims qualifying for federal assistance: those hit by certain natural catastrophes and those

whose businesses are hurt economically by such man-caused occurrences as displacement due to highway construction or urban renewal projects.

The passed bill, which awaits Senate action, would establish an additional loan program in the second category.

To qualify, a small firm would have to demonstrate that the loan is needed to preserve or reestablish its operations. And the firm's troubles must stem from disruption of services of a licensed public utility such as a telephone, natural gas, or electric company. Also, the disruption must have existed for a minimum of three days and must have affected a majority of businesses in a specific geographical area.

FCC Is a Target for Regulatory Reform

The Federal Communications Commission may be among the first regulatory agencies revamped, as demands for regulatory reform grow louder.

A bill introduced by Rep. Torbert H. Macdonald (D-Mass.), chairman of the House subcommittee on communications, calls for 15 specific changes at FCC.

Primarily, the legislation would raise the veil of secrecy under which FCC sometimes operates, scrap some bureaucratic procedures that slow down decisions, and gen-

erally allow the agency to be more independent of the White House.

The number of commissioners would be cut from seven to five and their terms extended from seven years to ten. All chairmen would be subject to Senate confirmation. As the law now stands, the President may appoint a sitting commissioner as chairman without congressional approval.

To aid congressional oversight, the bill would give committees immediate access to FCC documents.

Consumer Safeguards Proposed in Leasing

The growth in personal property leasing, particularly of automobiles, is prompting consideration of federal consumer legislation in this area.

Leasing arrangements are increasingly being used as an alternative to credit sales. Both the Federal Reserve Board and the Federal Trade Commission have concluded that such arrangements do not come under the mantle of the Truth in Lending Act,

which requires disclosure of information on consumer credit terms. Now, a proposed Consumer Leasing Act of 1975 would amend the Truth in Lending Act to protect lessees against misleading information and require meaningful disclosure of lease terms.

The bill, S. 1900, is jointly sponsored by Sens. Jake Garn (R-Utah) and Robert Morgan (D-N.C.). It would not affect commercial leasing.

A Lender for Cities in Distress

Cities in financial distress may be able to borrow from the federal government if legislation introduced in the Senate becomes law.

Under S. 1862, a bill proposed by Sens. Lloyd Bentsen (D-Texas) and Jacob K. Javits (R-N.Y.), the Federal Financing Bank would be authorized to purchase up to \$3 billion worth of two-year municipal securities from cities which have failed in bona fide attempts to market their securities.

The interest rate the city would pay would be sufficient to cover the federal government's cost of borrowing and the servicing

expenses involved. Also, the city would have to submit a comprehensive plan of fiscal and budgetary control which would satisfy the Secretary of Housing and Urban Development that all the obligations would be retired within two years. A further provision would be to bar use of such funds for capital expenditures, limiting them to operating purposes.

Sen. Bentsen notes that New York City, whose credit rating has deteriorated disastrously, is not alone in its plight. Other cities also are in danger of losing their current credit ratings.

A New Chance for the Government to Live Within the Taxpayers' Means

NO MATTER how rich a person may be, he can spend beyond his means only up to a point. Otherwise, sooner or later, he will go broke.

The same thing holds true for a business firm. And for a nation.

The U.S. cannot continue deficit spending indefinitely without running into difficulty—more and more inflation, for one thing.

For the fiscal year just ended, the federal government spent \$323.6 billion.

The government lived far beyond its means. The deficit was \$42.6 billion—which amounts to \$595 for each American family.

In 1965, the federal debt was \$317 billion. Today, the debt is over the half-trillion-dollar mark. Interest alone is costing taxpayers \$36 billion a year.

Now, there are major legislative proposals in Congress which would have the government spend more than \$100 billion in excess of anticipated income for the fiscal year that is only a month old. In other words, the deficit for the period ahead could

be more than twice as large as the previous one.

Last year, following a move initiated by the National Chamber, Congress passed the Budget Control Act of 1974, a sound piece of legislation.

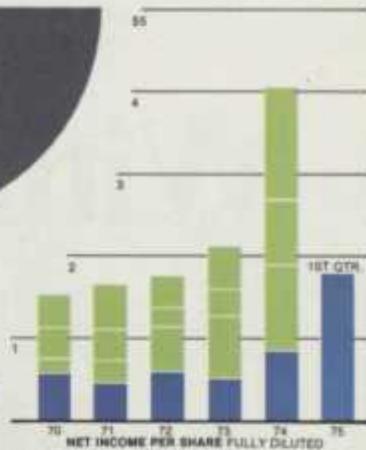
The act provided for the establishment of two congressional budget committees—one in the House of Representatives and one in the Senate—and for a new Congressional Budget Office to assist them. The committees have the responsibility for drawing up a sound budget and setting ceilings on spending.

Unless something effective is done to get Congress on the track of fiscal responsibility, the result will be more inflation, higher taxes, and finally fiscal chaos.

The Budget Control Act was designed to make Congress fiscally responsible. For the first time, a congressional budget will give each congressman, as well as the public, the overall picture on revenue and spending.

This knowledge means there's a better chance for wisdom.

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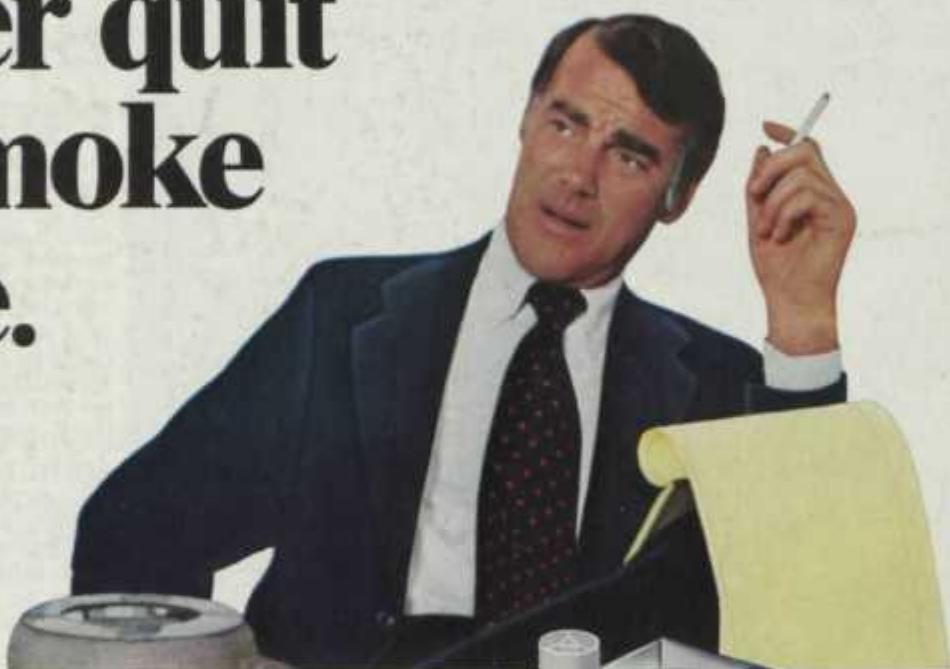
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